

This document compiles two base prospectuses with different categories of securities pursuant Article 22(6) of the Commission Regulation (EC) No 809/2004 of 29 April 2004 (the “Prospectus Regulation”): (i) the base prospectus containing non-equity securities within the meaning of No. 4 of Article 22(6) of the Regulation (EC) (“Non-Equity Securities”), and (ii) the base prospectus containing Pfandbriefe as non-equity securities within the meaning of No. 3 of Article 22(6) of the Regulation (together, the “Debt Issuance Program Prospectus”).

**Debt Issuance Program Prospectus**  
**15 May 2006**

# Hypo Real Estate Bank AG

Munich, Federal Republic of Germany

**Euro 25,000,000,000**  
**Debt Issuance Program**  
**(the “Program”)**

for the issuance of Notes in bearer and registered form (including Pfandbriefe)

**Arranger:**  
HVB Corporates & Markets

**Dealers:**

ABN AMRO  
Barclays Capital  
Commerzbank Corporates & Markets  
Deutsche Bank  
Dresdner Kleinwort Wasserstein  
HSBC  
HVB Corporates & Markets  
Hypo Real Estate  
IXIS Corporate & Investment Bank  
Morgan Stanley

**Hypo**  **Real Estate**  
**BANK**

A member of Hypo Real Estate Group

**Under this Program, Hypo Real Estate Bank AG (the “Issuer”) may from time to time issue notes (including Pfandbriefe as defined below) (the “Notes”) denominated in any currency (subject always to compliance with all legal and/or regulatory requirements) agreed by the Issuer and the relevant dealers (the “Dealers”) listed on the front page.**

**Application has been made (i) to the *Commission de Surveillance du Secteur Financier* of the Grand-Duchy of Luxembourg in its capacity as competent authority (the “Competent Authority”) for the approval of this Debt Issuance Program Prospectus (as defined herein) and (ii) to the Luxembourg Stock Exchange for such Notes to be listed on the Luxembourg Stock Exchange and admitted to trading on the regulated market of the Luxemburg Stock Exchange included in the list of regulated markets published in the Official Journal of the European Union. For the listing of the Program at the Luxembourg Stock Exchange the No. 12641 for Non-Equity Securities and No. 13134 for Pfandbriefe have been allocated. Notes issued under the Program may be admitted to trading on an alternative stock exchange or may not be admitted to trading at all. This Debt Issuance Program Prospectus replaces and supersedes any previous information memoranda or supplements thereto relating to the Program.**

**The Debt Issuance Program Prospectus has been published on the website of the Issuer (<http://www.hyporealestatebank.de>) and on the website of the Luxembourg Stock Exchange.**

## **IMPORTANT NOTICE ABOUT THIS DEBT ISSUANCE PROGRAM PROSPECTUS**

### **Responsibility of the Issuer**

The Issuer accepts responsibility for the information contained in, or incorporated into this Debt Issuance Program Prospectus. The Issuer hereby declares that, having taken all reasonable care to ensure that such is the case, the information contained in, or incorporated into, this Debt Issuance Program Prospectus is, to the best of its knowledge, in accordance with the facts and makes no omission likely to affect its import. The Issuer confirms that, where information has been sourced from a third party, this information has been accurately reproduced and that as far as the Issuer is aware and is able to ascertain from information published by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading.

### **Responsibility of the Dealers**

The Dealers have not separately verified the information contained herein. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility is accepted by the Dealers as to the accuracy or completeness of the information contained in this Debt Issuance Program Prospectus or any other information provided by the Issuer. The Dealers do not accept any liability in relation to the information contained in this Debt Issuance Program Prospectus or any other information provided by the Issuer in connection with the Program.

### **Exclusiveness**

No person has been authorized to give any information or to make any representation not contained in or not consistent with this Debt Issuance Program Prospectus or any other information supplied in connection with the Program and, if given or made, such information or representation must not be relied upon as having been authorized by the Issuer or any of the Dealers.

### **Exclusion**

Neither this Debt Issuance Program Prospectus nor any other information supplied in connection with the Program is intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by the Issuer or any of the Dealers that any recipient of this Debt Issuance Program Prospectus or any other information supplied in connection with the Program should purchase any Notes. Each investor contemplating purchasing any Notes should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness of the Issuer. Neither this Debt Issuance Program Prospectus nor any other information supplied in connection with the Program constitutes an offer or invitation by or on behalf of the Issuer or any of the Dealers to any person to subscribe for or to purchase any Notes.

### **Significance of Delivery**

The delivery of this Debt Issuance Program Prospectus does not at any time imply that the information contained herein concerning the Issuer is correct at any time subsequent to the date of delivery of this Debt Issuance Program Prospectus or that any other information supplied in connection with the Program is correct as of any time subsequent to the date indicated in the document containing the same. The Dealers expressly do not undertake to review the financial condition or affairs of the Issuer during the life of the Program. Investors should review, *inter alia*, the most recent non-consolidated or consolidated financial statements of the Issuer when deciding whether or not to purchase any Notes.

### **Restriction on Distribution**

The distribution of this Debt Issuance Program Prospectus and the offer or sale of Notes may be restricted by law in certain jurisdictions. Persons into whose possession this Debt Issuance Program

Prospectus or any Notes come must inform themselves about any such restrictions. In particular, there are restrictions on the distribution of this Debt Issuance Program Prospectus and the offer or sale of Notes in the United States, the European Economic Area, Japan and the Federal Republic of Germany (see Section XI. “Subscription and Sale” below).

The Notes have not been and will not be registered under the United States Securities Act of 1933 as amended (the “Securities Act”) and are subject to U.S. tax law requirements. Subject to certain exceptions, Notes may not be offered, sold or delivered within the United States or to U.S. persons (see Section XI. “Subscription and Sale” below).

#### **Stabilisation**

In connection with the issue of any Tranche (as defined herein) of Notes under the Programme, the Dealer or Dealers (if any) named as the stabilising manager(s) (or persons acting on behalf of any stabilising manager(s)) in the applicable Final Terms may over-allot Notes (provided that, in the case of any Tranche of Notes to be admitted to trading on a regulated market, the aggregate principal amount of Notes allotted does not exceed 105 per cent. of the aggregate principal amount of the relevant Tranche) or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, there is no assurance that the stabilising manager(s) (or persons acting on behalf of a stabilising manager) will undertake stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the relevant Tranche of Notes is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the relevant Tranche of Notes and 60 days after the date of the allotment of the relevant Tranche of Notes.

#### **Currencies**

In this Debt Issuance Program Prospectus, unless otherwise specified or the context otherwise requires, the terms “Euro”, “euro”, “€” or “EUR” each means the lawful single currency of those countries which are participants of the European Monetary Union, “Sterling”, “£”, “GBP” and “STG” each means the lawful currency of the United Kingdom, “Swiss Franc”, “Sfr” and “CHF” each means the lawful currency of Switzerland, “U.S. Dollar”, “U.S.\$”, “\$” and “USD” each means the lawful currency of the United States of America and “Yen”, “¥” and “JPY” each means the lawful currency of Japan.

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## I. SUMMARY

The following constitutes a summary (the “Summary”) of the essential characteristics and risks associated with the Issuer and the Notes (including Pfandbriefe) to be issued under the Program. This Summary should be read as an introduction to this Debt Issuance Program Prospectus. Any decision by an investor to invest in the Notes (including Pfandbriefe) should be based on consideration of this Debt Issuance Program Prospectus as a whole, including the documents incorporated by reference and Supplements thereto and the relevant Final Terms. Where a claim relating to the information contained in this Debt Issuance Program Prospectus, any Supplement thereto and the relevant Final Terms is brought before a court, the plaintiff investor might, under the national legislation of such court, have to bear the costs of translating the Debt Issuance Program Prospectus, any Supplement thereto and the relevant Final Terms before the legal proceedings are initiated. Civil liability attaches to those persons who have tabled this Summary including any translation thereof and applied for its notification, but only if the Summary is misleading, inaccurate or inconsistent when read together with the other parts of this Debt Issuance Program Prospectus.

### 1. SUMMARY OF THE DESCRIPTION OF THE PROGRAM

<b>Description</b>	Debt Issuance Program.
<b>Issuer</b>	Hypo Real Estate Bank AG (acting through its head office or one of its foreign branches, if any).
<b>Arranger</b>	Bayerische Hypo- und Vereinsbank AG.
<b>Dealers</b>	ABN AMRO Bank N.V. Barclays Bank PLC Bayerische Hypo- und Vereinsbank AG Commerzbank Aktiengesellschaft Deutsche Bank Aktiengesellschaft Dresdner Bank Aktiengesellschaft HSBC Bank plc Hypo Real Estate Bank AG IXIS Corporate & Investment Bank Morgan Stanley & Co. International Limited and any other financial institution that may be appointed as additional Dealer under the Program.
<b>Distribution</b>	By way of a public offering or private placement and, in each case, on a syndicated or non-syndicated basis.
<b>Issuing and Principal Paying Agent:</b>	Citibank, N.A., London Office.
<b>Registrar</b>	Citibank, N.A., London Office (for Registered Pfandbriefe).
<b>Amount</b>	Euro 25,000,000,000 (or its equivalent in other currencies) outstanding at any one time. The Issuer will have the option at any time to increase the amount of the Program subject to, and in accordance with, the terms of the Dealer Agreement.
<b>Issuance in Series</b>	Notes in bearer form (including Pfandbriefe) will be issued on a continuing basis in Tranches (each a “Tranche”), each Tranche consisting of Notes which are identical in all respects. One or more Tranches, which are expressed to be consolidated and forming a single series and identical in all respects, but having different issue dates, interest commencement dates, issue prices and dates for first interest payments may form a Series (“Series”) of Notes. Further Notes may be issued as part of an existing Series. The

specific terms of each Tranche (which will be supplemented, where necessary, with supplemental terms and conditions) will be set forth in the applicable Final Terms.

**Selling Restrictions**

There will be specific restrictions on the offer and sale of Notes and the distribution of offering materials in the United States of America, the European Economic Area and Japan and such other restrictions as may be required under applicable law in connection with the offering and sale of a particular Tranche of Notes.

**Approval and Notification**

Approval for this Debt Issuance Program Prospectus pursuant to Article 13 of the Directive 2003/71/EC (the “Prospectus Directive”) and Article 7 of the Luxembourg Law on Prospectuses for Securities (*loi du 10 Juillet 2005 relative aux prospectus pour valeurs mobilières*) has only been sought from the *Commission de Surveillance du Secteur Financier* as Competent Authority. As at the date of this Debt Issuance Program Prospectus, a notification of the Debt Issuance Program Prospectus and of all Notes issued under the Program pursuant to Article 18 of the Prospectus Directive to is not intended. However, the Issuer will decide from time to time whether it requests a notification pursuant to Article 18 of the Prospectus Directive and Article 19 of the Luxembourg Law on Prospectuses for Securities (*loi du 10 Juillet 2005 relative aux prospectus pour valeurs mobilières*) to other competent authorities, in particular in connection with a Tranche of Notes, as may be agreed by the Issuer and the relevant Dealer(s).

**Listing and Admission to a Regulated Market**

Application has been made to the Luxembourg Stock Exchange for the Notes (including Pfandbriefe) to be listed on the Luxembourg Stock Exchange and admitted to trading on the regulated market of the Luxembourg Stock Exchange included in the list of regulated markets published in the Official Journal of the European Union. The Final Terms will determine for the specific Tranche whether the Notes will be listed on an alternative stock exchange or whether Notes will not be listed at all. Pfandbriefe in registered form will not be listed on any stock exchange.

**2. SUMMARY OF RISK FACTORS**

**Summary of Risks relating to the Issuer**

**Credit Risk**

Credit risks are losses from bad debts or from the deterioration of customers’ credit rating. Credit risks can be subdivided further into counterparty default risks, including the counterparty risks and the country risks, and credit rating risks.

**Market Price Risk**

As a generic term, general market risk is defined as the potential loss of value of a portfolio that could result from changes in market parameters and the volatility of such parameters. For the Issuer, market risk is mostly composed of interest rate risk. Option volatilities and foreign currency risks play a much less important role.

**Interest Rate Risk**

The interest rate risk describes the possible loss that could result from a change in the interest rate curve. Interest rate risk mainly results from maturity incongruences between the Bank’s lending and funding positions that typically result from short-term refinancing of long-term loans. Measurement of the interest rate risk includes the balance-sheet interest rate positions and corresponding hedge transactions.

**Liquidity Risk**

In the narrow meaning of the term, liquidity risk (also referred to as solvency or refinancing risk) refers to the possible inability to fulfil present and future payment obligations. The liquidity risk comprises the short-term liquidity risk which is the risk of insufficient liquidity for the performance of day-to-day payment obligations, the structural liquidity risk which arises from an imbalance in the medium and long-term liquidity structure and the market liquidity risk which is the risk of insufficient liquidity

of pertinent financial instruments, with the consequence that positions can be closed out only, if at all, at a disproportionately high cost.

**Operational Risks** Operational risk is defined as the risk of unexpected losses occurring due to human error, defective management processes, natural and other disasters, technological failure or changes in the external environment (event risk). Legal risks are also part of the operational risk.

**Other Risks** Other Risks comprises business and strategic risk together with reputational, tax and real estate risk.

### **Summary of Risks relating to the Notes**

**Independent Review and Advice** A potential investor should not invest in Notes which are complex financial Notes unless the investor has the expertise (either alone or with a financial adviser) to evaluate how the Notes will perform under changing conditions, the resulting effects on the value of the Notes and the impact this investment will have on the potential investor's overall investment portfolio.

**Liquidity Risk** There can be no assurance that a liquid secondary market for the Notes will develop or, if it does develop, that it will continue. In an illiquid market, an investor might not be able to sell his Notes at any time at fair market prices. The possibility to sell the Notes might additionally be restricted by country specific reasons.

**Currency Risk / Dual Currency Notes** A holder of a Note denominated in a foreign currency and a holder of Dual Currency Notes is exposed to the risk of changes in currency exchange rates which may affect the yield and/or the redemption amount of such Notes.

**Risk of Early Redemption** If the Issuer has the right to redeem the Notes prior to maturity, a holder of such Notes is exposed to the risk that due to early redemption his investment will have a lower than expected yield.

**Subordinated Notes of the Issuer** The obligations of the Issuer in case of Subordinated Notes constitute unsecured and subordinated obligations. In the event of the liquidation, insolvency, composition or other proceedings for the avoidance of insolvency of, or against, the Issuer, such obligations will be subordinated to the claims of all unsubordinated creditors of the Issuer so that in any such event no amounts will be payable under such obligations until the claims of all unsubordinated creditors of the Issuer will have been satisfied in full.

**Taxation** Potential purchasers and sellers of the Notes should be aware that they may be required to pay taxes or other documentary charges or duties in accordance with the laws and practices of the country where the Notes are transferred or other jurisdictions.

**Legality of Purchase** Neither the Issuer, the Dealers nor any of their respective affiliates has or assumes responsibility for the lawfulness of the acquisition of the Notes by a prospective purchaser of the Notes, whether under the laws of the jurisdiction of its incorporation or the jurisdiction in which it operates (if different) or for compliance by that prospective purchaser with any laws, regulation or regulatory policy applicable to it

**Change of Law** The Terms and Conditions of the Notes are based on German law in effect as at the date of this Debt Issuance Program Prospectus. No assurance can be given as to the impact of any possible judicial decision or change to German law or administrative practice after the date of this Debt Issuance Program Prospectus.

**Fixed Rate Notes** A Holder of a Fixed Rate Note is exposed to the risk that the price of such Note falls as a result of changes in the market interest rate.



<b>Floating Rate Notes</b>	A holder of a Floating Rate Note is exposed to the risk of fluctuating interest rate levels and uncertain interest income. Fluctuating interest rate levels make it impossible to determine the yield of Floating Rate Notes in advance.
<b>Zero Coupon Notes</b>	A holder of a Zero Coupon Note is exposed to the risk that the price of such Note falls as a result of changes in the market interest rate. Prices of Zero Coupon Notes are more volatile than prices of Fixed Rate Notes and are likely to respond to a greater degree to market interest rate changes than interest bearing notes with a similar maturity.
<b>Index-Linked Notes</b>	An investment in Index-Linked Notes entails significant risks that are not associated with similar investments in a conventional fixed-rate debt security. If the interest rate of such an Index-Linked Note is so linked to an index, other factor and/or a formula, it may result in an interest rate that is less than that payable on a conventional fixed-rate debt security issued at the same time, including the possibility that no interest will be paid, and if the principal amount of such an Index-Linked Note is so linked to an index, other factor and/or a formula, the principal amount payable at maturity may be less than the original purchase price of such Index-Linked Note if allowed pursuant to the terms of such Index-Linked Note, including the possibility that no principal will be paid. Investors should be aware that the market price of Index-Linked Notes may be very volatile (depending on the volatility of the relevant index, other factor and/or formula). Neither the current nor the historical value of the relevant index, other factor and/or formula should be taken as an indication of future performance of such index, other factor and/or formula.
<b>Pfandbriefe</b>	In principle, the same risks as described above apply to Pfandbriefe issued under the Program subject to several exemptions such as: (i) The mitigation of the insolvency risk; and (ii) the structuring of Pfandbriefe with respect to the redemption amount is restricted, i. e. the repayment of the principal amount is fixed on the day of the issue.

### 3. SUMMARY OF THE DESCRIPTION OF THE ISSUER

<b>Statutory Auditors</b>	Bayerische Treuhandgesellschaft Aktiengesellschaft, Wirtschaftsprüfungsgesellschaft, Steuerberatungsgesellschaft, Ganghoferstrasse 29, 80339 Munich
<b>Information about the Issuer</b>	<p>The Issuer acts under its legal and commercial name “Hypo Real Estate Bank AG”.</p> <p>The Issuer is registered with the commercial register in Munich under number HRB 41054. It was formed by the merger of two mixed mortgage banks (gemischte Hypothekenbanken), i.e. Bayerische Handelsbank AG and Nürnberger Hypothekenbank AG, and one mortgage bank (Hypothekenbank), i.e., Süddeutsche Bodencreditbank AG, on 3 September 2001, with retroactive effect as of 1 January 2001.</p> <p>The issuer is incorporated as a stock corporation (Aktiengesellschaft) under the laws of the Federal Republic of Germany.</p> <p>The Issuer has its registered office at Von-der-Tann-Strasse 2, D-80539 Munich. Its telephone number is +49 89 2880-0.</p> <p>At the beginning of 2006, a restructuring of Hypo Real Estate Group (the “Hypo RE Group”) took place (for details on the group structure see below). In the context of the restructuring, the Issuer entered into an agreement with Hypo Real Estate Bank International Aktiengesellschaft, Stuttgart (“Hypo International”), according to which Hypo International transferred to the Issuer a loan portfolio governed by German law (the “Transfer Agreement”).</p>

**Business Overview** The Issuer acts as a centre of competence for the German market within the Hypo Real Estate Group (for details on Organisational Structure see below). Target customers for new business include professional real estate investors, housing companies, property developers and real-estate funds. The Issuer targets both domestic investors and also international customers wishing to invest in the German real estate market. The Issuer focuses on solution-oriented transaction banking. The product range extends from traditional real estate loans to the complex structuring of transactions including the full range of services of a modern real estate financier.

**Organisational Structure** The Issuer is part of the Hypo Real Estate Group (the “Hypo RE Group”) which was formed in the course of the spin-off of a major part of the commercial real estate financing business of Bayerische Hypo- und Vereinsbank AG (“HVB AG”) and its consolidated subsidiaries (“HVB Group”). Hypo RE Group consists of the parent holding company, Hypo Real Estate Holding AG (“Hypo RE Holding”) with its registered office in Munich, which is a financial holding company and is listed on the Frankfurt Stock Exchange, and two operating subsidiaries, i.e., the Issuer and Hypo Real Estate Bank International Aktiengesellschaft (“Hypo International”), formerly Württembergische Hypothekenbank, with its registered office in Stuttgart. After the restructuring of Hypo RE Group, the international business is combined in Hypo International which focuses on structured and real estate financing products for commercial real estate customers, capital market products including securitisations and syndication together with placing of individual investments and parts of portfolios. Hypo Public Finance Bank, formerly Hypo Real Estate Bank International, with its registered office in Dublin is now a subsidiary of Hypo International.

**Trend Information** There has been no material adverse change in the prospects of the Issuer since the date of its published audited financial statements for the year ended 31 December 2005.

**Major Shareholders** The Issuer is totally-owned (100 per cent.) by Hypo RE Holding.

**Historical Financial Information**

An overview on key figures for the financial years ended 31 December 2005 and 31 December 2004 can be gained by the following table:

	<i>2005</i>	<i>2004</i>
	<i>Euro millions</i>	<i>Euro millions</i>
Balance sheet total	74,971	85,374
Equity (incl. Fund for general banking risks)	2,108	2,056
Loans / advances to		
Other banks	14,438	16,510
Customers	43,930	49,187
Accounts due to		
Other banks	15,508	12,815
Customers	18,692	20,369
Debts evidenced by certificates	36,969	47,703
Loan commitments thereof	3,195	507
Mortgage loans	2,796	214
Municipal loans	399	293
Mortgage-business loan term adjustments implemented	1,752	1,959
Net interest income	250	416
Operating result before risk provisions	143	260
Operating result	36	39
Net income	52	0

**Auditing of Historical Financial Information**

The auditors of the Issuer have made reports in respect of each set of statutory accounts for the two financial years ended 31 December 2004 and 31 December 2005 and each such report was an unqualified report.

**Interim and other Financial Information**

The Issuer has not published interim financial information since the date of its last audited financial statements.

**Legal and Arbitration Proceedings**

The Issuer is not involved in any court or arbitration proceedings which could have a significant impact on its economic position.

**Significant Change in Issuer's Financial Position**

Save as disclosed in this Debt Issuance Program Prospectus there has been no significant change in the Issuer's financial position since the date of the last audited financial statements of the Issuer up to the date of this Prospectus.

**Material Contracts**

The Issuer entered into a Transfer Agreement with Hypo International (see above).

**4. SUMMARY OF THE DESCRIPTION OF THE NOTES****Currencies**

Subject to any applicable legal or regulatory restrictions, including, in the case of an issuance of Pfandbriefe, the German Mortgage Bank Act (Hypothekbankgesetz), and as of 19 July 2005 the German Pfandbrief-Act (Pfandbriefgesetz) such currencies or currency units as may be agreed between the Issuer and the relevant Dealer(s), including, without limitation, Euro, Sterling, Swiss Franc, U.S. Dollar and Yen and any other currency or currency unit subject to compliance with all legal and regulatory requirements.

**Denominations of Notes** Such denominations as may be agreed between the Issuer and the relevant Dealer(s) and as indicated in the applicable Final Terms, save that the minimum denomination of the Notes will be such as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the relevant specified currency.

Notes issued on terms that they must be redeemed before the first anniversary of their date of issue may be subject to restrictions on their denominations and distribution.

In every case, the minimum denomination of Notes will be Euro 1,000.

**Maturities** Any maturity as may be agreed between the Issuer and the relevant Dealer(s) and indicated in the applicable Final Terms, subject to such minimum or maximum maturity as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the relevant Specified Currency or the Issuer.

**Issue Price** Notes may be issued at an issue price which is at par or at a discount to, or premium over, par.

**Form of Notes** Notes may be issued in bearer form, Pfandbriefe may be issued in bearer or registered form. Notes in bearer form (“Bearer Notes”) which are issued on the same date and are identical in all other respects (including as to listing) will constitute a “Tranche”. Where expressed to do so, any Tranche of Bearer Notes will constitute a single fungible series (a “Series”) with one or more further Tranches of Bearer Notes which are (i) expressed to be consolidated and form a single Series and (ii) identical in all respects (including as to listing), except for their respective issue dates, interest commencement dates and/or issue prices.

Bearer Notes to which U.S. Treasury Regulation § 1.163-5(c)(2)(i)(c) (the “TEFRA C Rules”) applies (“TEFRA C Notes”) will be represented either initially by a temporary global Note in bearer form, without interest coupons, in an initial principal amount equal to the aggregate principal amount of such Notes (“Temporary Global Note”) or a permanent global Note in bearer form, without interest coupons, in a principal amount equal to the aggregate principal amount of such Notes (“Permanent Global Note”). Any Temporary Global Note will be exchanged for either definitive Notes in bearer form (“Definitive Notes”) with interest coupons and talons (where applicable) or, to the extent that Euroclear Bank S.A./N.V. as operator of the Euroclear system (“Euroclear”) and Clearstream Banking société anonyme (“Clearstream, Luxembourg”) and/or the relevant Alternative Clearing System so permits, in part for Definitive Notes and in the other part for one or more collective global Notes in bearer form (“Collective Global Notes”) with interest coupons and talons (where applicable).

Bearer Notes to which U.S. Treasury Regulation § 1.163-5(c)(2)(i)(D) (the “TEFRA D Rules”) applies (“TEFRA D Notes”) will initially be represented by a Temporary Global Note which will be exchanged for either a Permanent Global Note or Definitive Notes or in part for Definitive Notes and in the other part for one or more Collective Global Notes, in each case on or after the day which is 40 days after the Issue Date upon certification of non-U.S. beneficial ownership in the form available from time to time at the specified office of the Issuing Agent.

Bearer Notes to which neither the TEFRA C Rules nor the TEFRA D Rules apply will be represented either initially by a Temporary Global Note or from the issue date by a Permanent Global Note. Any Temporary Global Note will be exchanged for either Definitive Notes or, to the extent that the relevant Clearing System so permits, in part for Definitive Notes and in the other part for one or more Collective Global Notes.

Pfandbriefe in bearer form to which the TEFRA C Rules apply will be represented by a permanent global Pfandbrief in bearer form, without interest coupons, in a principal amount equal to the aggregate principal amount of such Pfandbriefe (“Permanent Global Pfandbrief”).

Pfandbriefe in bearer form to which the TEFRA D Rules apply will initially be represented by a temporary global Pfandbrief in bearer form, without interest coupons, in a principal amount equal to the aggregate principal amount of such Pfandbriefe (“Temporary Global Pfandbrief”). Any Temporary Global Pfandbrief will be exchanged for a Permanent Global Pfandbrief on or after the day which is 40 days after the Issue Date upon certification of non-U.S. beneficial ownership in the form available from time to time at the specified office of the Issuing Agent.

Pfandbriefe in bearer form to which neither the TEFRA C Rules nor the TEFRA D Rules apply will be represented by a Permanent Global Pfandbrief.

Permanent Global Notes, Temporary Global Pfandbriefe and Permanent Global Pfandbriefe will not be exchanged for Definitive Notes or Collective Global Notes.

As used herein the term “Global Note” means a Temporary Global Note, a Permanent Global Note, a Temporary Global Pfandbrief or a Permanent Global Pfandbrief.

Pfandbriefe in registered form will be represented by a registered Pfandbrief, without interest coupons, in a principal amount equal to the principal amount of such Pfandbriefe (“Registered Pfandbrief”).

**Pfandbriefe**

The Issuer may issue Pfandbriefe as Mortgage Pfandbriefe (Hypothekenspfandbriefe) or Public Sector Pfandbriefe (Öffentliche Pfandbriefe).

Mortgage and Public Sector Pfandbriefe constitute recourse obligations of the Issuer. They are secured or “covered” by, in each case, separate pools of mortgage loans (in the case of Mortgage Pfandbriefe) or public sector loans (in the case of Public Sector Pfandbriefe).

**Fixed Rate Notes**

Interest on Fixed Rate Notes will be payable in arrear on such basis and on such date(s) as agreed between the Issuer and the relevant Dealer(s) (as indicated in the applicable Final Terms) and on redemption.

**Floating Rate Notes**

Floating Rate Notes will bear interest at a rate determined on the same basis as the floating rate under a notional interest rate swap transaction in the relevant Specified Currency governed by an agreement incorporating the 2000 ISDA Definitions (as published by the International Swaps and Derivatives Association, Inc., and as amended, updated or replaced from time to time) or on the basis of a reference rate appearing on an agreed screen page of a commercial quotation service or on such other basis as may be agreed between the Issuer and the relevant Dealer(s) (as indicated in the applicable Final Terms). Floating Rate Notes may also have a maximum interest rate, a minimum interest rate or both.

The margin (when applicable) relating to the floating rate will be agreed between the Issuer and the relevant Dealer(s) for each issue of Floating Rate Notes.

Interest on Floating Rate Notes will be payable in arrear on such basis and on such interest payment dates as agreed between the Issuer and the relevant Dealer(s) (as indicated in the applicable Final Terms).

<b>Index-Linked Notes</b>	Payments of interest in respect of Index-Linked Interest Notes and payments of principal in respect of Notes with Index-Linked Redemption will be calculated by reference to such index, other factor and/or formula as the Issuer and the relevant Dealer(s) may agree (as indicated in the applicable Final Terms).
<b>Other Provisions in Relation to Floating Rate Notes and Index-Linked Interest Notes</b>	Floating Rate Notes and Index-Linked Interest Notes may also have a maximum interest rate, a minimum interest rate or both. Interest on Floating Rate Notes and Index-Linked Interest Notes in respect of each Interest period, as selected prior to issue by the Issuer and the relevant Dealer, will be payable on such Interest Payment Dates specified in, or determined pursuant to, the relevant Final Terms and will be calculated as indicated in the relevant Final Terms.
<b>Dual Currency Notes</b>	Payments (whether in respect of principal or interest and whether at maturity or otherwise) in respect of Dual Currency Notes will be made in such currency or currencies, and based on such rate or rates of exchange, as the Issuer and the relevant Dealer(s) may agree (as indicated in the applicable Final Terms).
<b>Zero Coupon Notes</b>	Zero Coupon Notes may be offered and sold at a discount to their principal amount and will not bear interest except in the case of late payment.
<b>Taxation</b>	<p>All payments of interest on, and principal of, the Notes made by the Issuer will be made without any deduction or withholding for, or on account of, any present or future taxes, duties or governmental charges of whatever kind levied or imposed by or in (in the case of all Notes) the Federal Republic of Germany and (in the case of Notes issued through a foreign branch (if any) of the Issuer) the jurisdiction in which such branch is established unless there is an obligation by law to make such deduction or withholding. In that event, the Issuer will pay such additional amounts as may be necessary to ensure the receipt by the Noteholders of the full amount stated on the Notes, subject to customary exceptions.</p> <p>Pfandbriefe will not provide for the obligation of the Issuer to pay such additional amounts in the event of taxes or duties being withheld or deducted from payments of principal or interest as aforesaid.</p>
<b>Redemption</b>	<p>The applicable Final Terms will indicate either that the Notes cannot be redeemed prior to their stated maturity (other than in specified installments (see below) or for taxation reasons or following an Event of Default) or that such Notes will be redeemable at the option of the Issuer and/or the Noteholders upon giving not more than 60 days' nor less than 30 days' irrevocable notice (or in any case such other notice period (if any) as is indicated in the applicable Final Terms) to the Noteholders or the Issuer, as the case may be, on a date or dates specified prior to such stated maturity and at a price or prices and on such terms as indicated in the applicable Final Terms.</p> <p>The Final Terms may provide that the Notes may be repayable in two or more installments of such amounts and on such dates as indicated in the applicable Final Terms.</p> <p>Pfandbriefe will not in any event be capable of being redeemed prior to their stated maturity for taxation reasons, following an Event of Default or at the option of the Noteholders.</p>
<b>Status of the Notes</b>	If the Notes are unsubordinated Notes, as set forth in the Final Terms, the Notes will constitute direct, unconditional, unsecured and unsubordinated obligations of the Issuer and will rank at least pari passu with the claims of all other unsecured creditors of it other than those claims which are expressly preferred by law (including claims arising from Mortgage Pfandbriefe or Public Sector Pfandbriefe issued by the Issuer).

Notes issued as Pfandbriefe will constitute direct, unconditional and unsubordinated obligations of the Issuer and will rank pari passu among themselves and (i) in the case of Public Sector Pfandbriefe at least pari passu with all other obligations of the Issuer under Public Sector Pfandbriefe and (ii) in the case of Mortgage Pfandbriefe at least pari passu with all other obligations of the Issuer under Mortgage Pfandbriefe. Pfandbriefe are covered by separate pools of public sector loans (in the case of Public Sector Pfandbriefe) or mortgage loans (in the case of Mortgage Pfandbriefe).

If the Notes are subordinated Notes, as set forth in the Final Terms, (i) the Notes will constitute direct, unconditional, unsecured and subordinated obligations of the Issuer and will rank at least pari passu with the claims of all other unsecured, subordinated creditors of it and (ii) the claims arising from the Notes are subordinated to the claims of all other creditors of the Issuer which are not also subordinated, as shown in Condition 2 of the Terms and Conditions (Bearer Notes).

<b>Negative Pledge</b>	None.
<b>Cross Default</b>	None.
<b>Governing Law</b>	German law.
<b>Jurisdiction</b>	Non-exclusive place of jurisdiction for any legal proceedings arising under the Notes is Munich.

## II. GERMAN TRANSLATION OF THE SUMMARY

Der folgende Abschnitt stellt die Zusammenfassung (die „Zusammenfassung“) der wesentlichen mit der Emittentin und den unter dem Programm zu begebenden Schuldverschreibungen (einschließlich Pfandbriefe) verbundenen Merkmale und Risiken dar. Die Zusammenfassung ist als Einleitung zum Emissionsprogrammprospekt zu verstehen. Der Anleger sollte jede Entscheidung zur Anlage in die Schuldverschreibungen (einschließlich der Pfandbriefe) auf die Prüfung des gesamten Prospekts einschließlich der durch Verweis einbezogenen Dokumente, etwaiger Nachträge hierzu und den maßgeblichen Endgültigen Bedingungen stützen. Wenn vor einem Gericht Ansprüche aufgrund der in diesem Emissionsprogrammprospekt, einem etwaigen Nachtrag oder den Endgültigen Bedingungen enthaltenen Informationen geltend gemacht werden, könnte der als Kläger auftretende Anleger in Anwendung der einzelstaatlichen Rechtsvorschriften des jeweiligen Gerichts die Kosten für die Übersetzung des Emissionsprogrammprospekts, etwaiger Nachträge und der maßgeblichen Endgültigen Bestimmungen vor Prozessbeginn zu tragen haben. Diejenigen Personen, die die Zusammenfassung einschließlich einer Übersetzung davon vorgelegt haben und deren Notifizierung beantragt haben, können ausschließlich in dem Fall, dass die Zusammenfassung irreführend, unrichtig oder widersprüchlich ist, wenn sie zusammen mit anderen Teilen dieses Emissionsprogrammprospekts gelesen wird, haftbar gemacht werden.

### 1. ZUSAMMENFASSUNG DER BESCHREIBUNG DES PROGRAMMS

<b>Beschreibung</b>	Programm zur Emission von Schuldverschreibungen.
<b>Emittentin</b>	Hypo Real Estate Bank AG (handelnd durch ihre Hauptniederlassung oder, falls zutreffend, durch eine ihrer ausländischen Niederlassungen).
<b>Arrangeur</b>	Bayerische Hypo- und Vereinsbank AG
<b>Plazeure</b>	ABN AMRO Bank N.V. Barclays Bank PLC Bayerische Hypo- und Vereinsbank AG Commerzbank Aktiengesellschaft Deutsche Bank Aktiengesellschaft Dresdner Bank Aktiengesellschaft HSBC Bank plc Hypo Real Estate Bank AG IXIS Corporate & Investment Bank Morgan Stanley & Co. International Limited sowie jedes andere Finanzinstitut, welches im Rahmen des Programms als Plazeur ernannt wird.
<b>Vertrieb</b>	Durch öffentliches Angebot oder Privatplatzierung sowie jeweils in syndizierter oder nicht-syndizierter Form.
<b>Emissions- und Hauptzahlstelle</b>	Citibank, N.A., London Office.
<b>Registerstelle</b>	Citibank, N.A., London Office (für Namenspfandbriefe).
<b>Emissionsvolumen:</b>	Das maximale Emissionsvolumen der gleichzeitig umlaufenden Schuldverschreibungen beträgt Euro 25.000.000.000 (oder den entsprechenden Betrag in anderen Währungen). Die Emittentin kann das Emissionsvolumen des Programms vorbehaltlich und in Übereinstimmung mit den Bestimmungen des Dealer Agreements erhöhen.
<b>Ausgabe in Serien</b>	Schuldverschreibungen in Form von Inhaberpapieren (einschließlich Pfandbriefe) werden fortlaufend in Tranchen (jeweils eine Tranche“) ausgegeben, wobei jede Tranche aus



identischen Schuldverschreibungen besteht. Eine oder mehrere Tranchen, die ausdrücklich zusammengefasst sind und ein und dieselbe Serie darstellen und die in jeder Hinsicht, außer in Bezug auf das Ausgabedatum, den Verzinsungsbeginn, den Ausgabepreis und das Datum der ersten Zinszahlung, identisch sind, können eine Serie („Serie“) von Schuldverschreibungen darstellen. Weitere Schuldverschreibungen können als Teil einer bestehenden Serie ausgegeben werden. Die spezifischen Anleihebedingungen der einzelnen Tranchen (welche gegebenenfalls durch ergänzende Anleihebedingungen ergänzt werden) sind in den Endgültigen Bedingungen dargelegt.

**Verkaufsbeschränkungen**

Das Angebot und der Verkauf der Schuldverschreibungen und die Verbreitung der Angebotsunterlagen in den USA, dem Europäischen Wirtschaftsraum und Japan unterliegen bestimmten Beschränkungen. Ferner können Angebot und Verkauf bestimmter Tranchen von Schuldverschreibungen unter den jeweils anwendbaren Gesetzen bestimmten Beschränkungen unterliegen.

**Genehmigung und Notifizierung**

Die Genehmigung dieses Emissionsprogrammprospekts gemäß Artikel 13 der Richtlinie 2003/71/EG (die „Prospektrichtlinie“) und Artikel 7 des luxemburgischen Gesetzes zu Wertpapierprospekten (*loi du 10 Juillet 2005 relative aux prospectus pour valeurs mobilières*) wurde ausschließlich bei der *Commission de Surveillance du Secteur Financier* als zuständiger Behörde beantragt. Zum Zeitpunkt der Billigung des Basisprospekts zum Emissionsprogramm ist eine Notifizierung des Programms und der darunter begebenen Wertpapiere nicht beabsichtigt. Die Emittentin wird jedoch von Zeit zu Zeit entscheiden, ob sie einen Antrag auf Notifizierung entsprechend Artikel 18 der Prospekt-Richtlinie und Artikel 10 des Luxemburgischen Prospektgesetzes (*loi du 10 Juillet 2005 relative aux prospectus pour valeurs mobilières*), insbesondere in Verbindung mit einer Tranche von Schuldverschreibungen, wie zwischen der Emittentin und den jeweiligen Plazeuren vereinbart, an andere Aufsichtsbehörden richtet.

**Zulassung zum geregelten Markt**

Die Zulassung der Schuldverschreibungen (einschließlich der Pfandbriefe) zum Listing und zum Handel am geregelten Markt der Luxemburger Börse, welcher in der im Amtsblatt der Europäischen Union veröffentlichten Liste geregelten Märkten erscheint, wurde bei der Luxemburger Börse beantragt. In den Endgültigen Bedingungen ist für jede Tranche angegeben, ob die Schuldverschreibungen alternativ an einer anderen Börse notiert werden oder ob keine Börsennotierung erfolgt. Pfandbriefe, die in Form von Namenspapieren ausgegeben werden, werden an keiner Börse notiert sein.

**2. ZUSAMMENFASSUNG DER RISIKOFAKTOREN**

**Zusammenfassung der mit der Emittentin verbundenen Risiken**

**Kreditrisiko**

Kreditrisiken sind Risiken eines Verlustes aufgrund uneinbringlicher Forderungen oder der Verschlechterung der Bonitätseinstufung eines Kunden. Das Kreditrisiko kann weiter unterteilt werden in das Adressenausfallrisiko, einschließlich Kontrahentenrisiko und Länderrisiko, und das Bonitätsrisiko.

**Marktpreisänderungsrisiko**

Als Oberbegriff ist das Marktpreisänderungsrisiko definiert als potentieller Wertverlust eines Portfolios aufgrund von Veränderungen der Marktparameter und deren Volatilität. Für die Emittentin besteht das Marktpreisänderungsrisiko hauptsächlich in dem Zinsrisiko. Optionsvolatilität und Währungsrisiken spielen eine weitaus geringere Rolle.

**Zinsrisiko**

Das Zinsrisiko beschreibt einen potentiellen Verlust aufgrund einer Veränderung der Zinsstrukturkurve. Das Zinsrisiko geht in erster Linie auf Fälligkeitsinkongruenzen zwischen den Gläubiger- und Finanzierungspositionen der Bank zurück, welche

typischerweise in Folge einer kurzfristigen Refinanzierung langfristiger Kredite auftreten. Die Bewertung des Zinsrisikos erfolgt auf Grundlage der Zinspositionen in der Bilanz und der verbundenen Absicherungstransaktionen.

#### **Liquiditätsrisiko**

Im engeren Sinne bezeichnet das Liquiditätsrisiko (auch als Solvenz- oder Refinanzierungsrisiko bezeichnet) die potentielle Unfähigkeit, gegenwärtigen oder zukünftigen Zahlungsverpflichtungen nachzukommen. Das Liquiditätsrisiko umfasst das kurzfristige Liquiditätsrisiko, welches das Risiko einer nicht ausreichenden Liquidität für die Erfüllung der laufenden Zahlungsverpflichtungen ist, das strukturelle Liquiditätsrisiko, welches infolge einer unausgewogenen mittel- und langfristigen Liquiditätsstruktur entsteht, und das Marktliquiditätsrisiko, welches das Risiko einer nicht ausreichenden Liquidität der entsprechenden Finanzinstrumente, aufgrund derer Positionen nicht oder nur zu unverhältnismäßig hohen Kosten glatt gestellt werden können, widerspiegelt.

#### **Operationelle Risiken**

Operationelle Risiken sind unerwartete Verluste aufgrund menschlichen oder technischen Versagens, fehlerhafter Verwaltungsverfahren, Naturkatastrophen oder anderer Unglücke oder Veränderungen infolge externer Ereignisse (Event-Risiko). Ein Teil der operationellen Risiken sind rechtliche Risiken.

#### **Weitere Risiken**

Zu den weiteren Risiken gehören Geschäftsrisiken und strategische Risiken sowie das Rufschädigungs-, Steuer- und Immobilienrisiko.

#### **Zusammenfassung der mit den Schuldverschreibungen verbundenen Risiken**

##### **Unabhängige Prüfung und Beratung**

Schuldverschreibungen sind komplexe Finanzinstrumente, in die potentielle Anleger nur investieren sollten, wenn sie (selbst oder durch ihre Finanzberater) über die nötige Expertise verfügen, um die Performance der Schuldverschreibungen unter den wechselnden Bedingungen, die resultierenden Wertveränderungen der Schuldverschreibungen sowie die Auswirkungen einer solchen Anlage auf ihr Gesamtportfolio einzuschätzen.

##### **Liquiditätsrisiko**

Es kann keine Zusicherung gegeben werden, dass ein liquider Sekundärmarkt für die Schuldverschreibungen entstehen wird oder, sofern er entsteht, dass er fortbestehen wird. In einem illiquiden Markt könnte es sein, dass ein Anleger seine Schuldverschreibungen nicht zu jedem Zeitpunkt zu angemessenen Marktpreisen veräußern kann. Die Möglichkeit, Schuldverschreibungen zu veräußern, kann darüber hinaus aus landesspezifischen Gründen eingeschränkt sein.

##### **Währungsrisiko / Doppelwährungs-Schuldverschreibungen**

Gläubiger von Schuldverschreibungen, die auf eine ausländische Währung lauten, und Gläubiger von Doppelwährungs-Schuldverschreibungen sind Wechselkursrisiken ausgesetzt, welche Auswirkungen auf die Rendite und/oder den Rückzahlungsbetrag der Schuldverschreibungen haben können.

##### **Risiko der vorzeitigen Rückzahlung**

Sofern der Emittentin das Recht eingeräumt wird, die Schuldverschreibungen vor Fälligkeit zurückzuzahlen, ist der Gläubiger dieser Schuldverschreibungen dem Risiko ausgesetzt, dass infolge der vorzeitigen Rückzahlung seine Kapitalanlage eine geringere Rendite als erwartet aufweisen wird.

##### **Nachrangige Schuldverschreibungen der Emittentin**

Die Verbindlichkeiten der Emittentin unter nachrangigen Schuldverschreibungen sind unbesichert und nachrangig. Im Falle der Liquidation oder der Insolvenz der Emittentin oder eines Vergleichs- oder eines anderen der Abwendung der Insolvenz dienenden Verfahrens gegen die Emittentin gehen diese Verbindlichkeiten den Ansprüchen dritter Gläubiger der Emittentin aus nicht nachrangigen Verbindlichkeiten im Range nach, so dass die Zahlungen auf diese Verbindlichkeiten solange nicht erfolgen, wie die Ansprüche dieser dritten Gläubiger der Emittentin aus nicht

nachrangigen Verbindlichkeiten nicht vollständig befriedigt sind.

<b>Besteuerung</b>	Potentielle Käufer und Verkäufer der Schuldverschreibungen sollten zur Kenntnis nehmen, dass sie gemäß den Gesetzen und Bestimmungen, die in dem Land, in dem die Schuldverschreibungen übertragen werden, oder in anderen Jurisdiktionen gelten, möglicherweise Steuern oder anderweitige Gebühren zahlen müssen.
<b>Rechtmäßigkeit des Kaufs</b>	Weder die Emittentin, die Plazeure, noch ihre jeweiligen verbundenen Gesellschaften haften nach dem Recht ihres jeweiligen Sitzstaates oder dem Recht des Landes, in dem sie tätig sind, für die Rechtmäßigkeit des Kaufs der Schuldverschreibungen durch einen potentiellen Käufer der Schuldverschreibungen oder für die Einhaltung der rechtlichen oder aufsichtsrechtlichen Bestimmungen seitens dieses potentiellen Käufers.
<b>Gesetzesänderungen</b>	Die Anleihebedingungen der Schuldverschreibungen unterliegen den deutschen Gesetzen in ihrer zum Datum dieses Emissionsprogrammprospekts gültigen Fassung. Es kann jedoch keine Zusicherung im Hinblick auf etwaige Auswirkungen möglicher Gerichtsentscheidungen oder einer Änderung der deutschen Gesetze oder der Verwaltungspraxis nach dem Datum dieses Emissionsprogrammprospekts gegeben werden.
<b>Festverzinsliche Schuldverschreibungen</b>	Gläubiger festverzinslicher Schuldverschreibungen sind dem Risiko eines Kursrückgangs infolge einer Änderung des Marktzinses ausgesetzt.
<b>Variabel verzinsliche Schuldverschreibungen</b>	Gläubiger variabel verzinslicher Schuldverschreibungen sind dem Risiko von Zinsschwankungen und unsicherer Zinserträge ausgesetzt. Zinsschwankungen machen eine vorherige Bestimmung der Rendite variabel verzinslicher Schuldverschreibungen unmöglich.
<b>Nullkupon-Schuldverschreibungen</b>	Gläubiger von Nullkupon-Schuldverschreibungen sind dem Risiko eines Kursrückgangs infolge einer Änderung des Marktzinses ausgesetzt. Die Preise von Nullkupon-Schuldverschreibungen unterliegen einer größeren Volatilität, als die Preise festverzinslicher Schuldverschreibungen, und reagieren stärker auf Veränderungen des Marktzinses als verzinsliche Schuldverschreibungen mit ähnlicher Laufzeit.
<b>Indexierte Schuldverschreibungen</b>	Eine Anlage in indexierten Schuldverschreibungen birgt erhebliche Risiken, welche mit ähnlichen Anlagen in konventionellen festverzinslichen Schuldtiteln nicht verbunden sind. Wenn der Zinssatz einer solchen indexierten Schuldverschreibung an einen Index oder anderen Faktor und/oder eine Formel gebunden ist, kann ein Zinssatz zur Anwendung kommen, der geringer ist, als der Zinssatz, der für einen zum gleichen Zeitpunkt emittierten konventionellen festverzinslichen Schuldtitel gilt, wobei auch die Möglichkeit besteht, dass keine Zinsen gezahlt werden; wenn der Rückzahlungsbetrag einer solchen indexierten Schuldverschreibung an einen Index oder anderen Faktor und/oder eine Formel gebunden ist, kann der bei Fälligkeit zahlbare Betrag geringer sein, als der Kaufpreis dieser indexierten Schuldverschreibung, sofern dies gemäß den Bedingungen der indexierten Schuldverschreibungen zulässig ist, wobei auch die Möglichkeit besteht, dass kein Kapital zurückgezahlt wird. Anleger sollten sich auch bewusst sein, dass der Marktpreis indexierter Schuldverschreibungen (in Abhängigkeit von der Volatilität des maßgeblichen Index oder des anderen relevanten Faktors und/oder der Formel) einer hohen Volatilität ausgesetzt sein kann. Weder die gegenwärtige noch die historische Performance des maßgeblichen Index oder des anderen relevanten Faktors und/oder der Formel sollte als Richtschnur für die zukünftige Performance dieses Index oder des anderen relevanten Faktors und/oder der Formel betrachtet werden.
<b>Pfandbriefe</b>	Generell gelten die gleichen Risiken wie vorstehend beschrieben auch für Pfandbriefe, die unter dem Programm ausgegeben werden, vorbehaltlich einiger Ausnahmen, wie: (i) die Verringerung des Insolvenzrisikos und (ii) die Beschränkungen bei der

Strukturierung der Pfandbriefe hinsichtlich des Rückzahlungsbetrags, insbesondere wird der Rückzahlungsbetrag am Ausgabedatum festgelegt.

### 3. ZUSAMMENFASSUNG DER INFORMATIONEN ÜBER DIE EMITTENTIN

**Gesetzliche  
Wirtschaftsprüfer** Bayerische Treuhandgesellschaft Aktiengesellschaft, Wirtschaftsprüfungsgesellschaft, Steuerberatungsgesellschaft, Ganghoferstrasse 29, 80339 München

**Informationen über die  
Emittentin** Die Emittentin handelt unter der Firma und dem Geschäftsnamen „Hypo Real Estate Bank AG“.

Die Emittentin ist beim Handelsregister in München unter der Nummer HRB 41054 eingetragen. Sie wurde durch Zusammenschluss zweier gemischter Hypothekenbanken, nämlich der Bayerische Handelsbank AG und der Nürnberger Hypothekenbank AG, und einer Hypothekenbank, der Süddeutsche Bodencreditbank AG, am 3. September 2001 rückwirkend mit Wirkung zum 1. Januar 2001 gegründet.

Die Emittentin wurde gemäß den Gesetzen der Bundesrepublik Deutschland als Aktiengesellschaft errichtet.

Der eingetragene Geschäftssitz der Gesellschaft ist Von-der-Tann-Strasse 2, D-80539 München, Tel. +49 89 2880-0.

Zum Jahresbeginn 2006 fand innerhalb der Hypo Real Estate Group eine Umstrukturierung statt. Im Rahmen dieser Umstrukturierung ging die Emittentin mit der Hypo Real Estate Bank International Aktiengesellschaft, Stuttgart („Hypo International“) eine Vereinbarung ein, nach der die Hypo International ein Kreditportfolio, das deutschem Recht unterliegt, an die Emittentin übertrug.

**Geschäftsüberblick** Innerhalb der Hypo Real Estate Group stellt die Emittentin das Kompetenzzentrum für den deutschen Markt dar (Einzelheiten zur Organisationsstruktur siehe unten). Zielgruppe für Neugeschäft sind primär professionelle Immobilieninvestoren, Wohnungsbaugesellschaften, Bauträger und Immobilienfonds. Die Emittentin richtet sich sowohl an inländische Investoren wie auch an internationale Kunden, die in den deutschen Immobilienmarkt investieren wollen. Haupttätigkeitsbereich der Emittentin ist das lösungsbezogene *Transaction Banking*. Die Produktpalette reicht von traditionellen Immobiliendarlehen bis hin zu komplexen Transaktionsstrukturierungen, wobei sämtliche Dienstleistungen eines modernen Immobilienfinanzierers angeboten werden.

**Organisationsstruktur** Die Emittentin ist Teil der Hypo Real Estate Group (die „Hypo RE Group“), die infolge der Ausgliederung eines wesentlichen Teils des Geschäftsbereichs gewerbliche Immobilienfinanzierung der Bayerische Hypo- und Vereinsbank AG („HVB AG“) und ihrer konsolidierten Tochtergesellschaften („HVB Group“) entstanden ist. Die Hypo RE Group besteht aus der Holdinggesellschaft Hypo Real Estate Holding AG („Hypo RE Holding“), einer an den Börsen von Frankfurt und Wien notierten Finanzdienstleistungs-Holdinggesellschaft mit eingetragenem Geschäftssitz in München, und deren zwei operativen Tochtergesellschaften, nämlich der Emittentin und der Hypo Real Estate Bank International Aktiengesellschaft („Hypo International“), der früheren Württembergische Hypothekenbank AG mit eingetragenem Geschäftssitz in Stuttgart. Nach der Umstrukturierung der Hypo RE Group ist das internationale Geschäft bei der Hypo International, die sich auf strukturierte Produkte und Immobilienfinanzierungsprodukte für gewerbliche Immobilienkunden, Kapitalmarktprodukte (vor allem Securitisations und Syndication) und Syndizierung und Platzierung von individuellen Investments und Portfolioteilen spezialisiert hat,

zusammengefasst. Die Hypo Public Finance Bank, die frühere Hypo Real Estate Bank International, mit ihrem eingetragenen Geschäftssitz in Dublin ist jetzt eine Tochtergesellschaft von Hypo International.

**Trendinformationen**

Seit Veröffentlichung der geprüften Jahresabschlüsse für das am 31. Dezember 2005 beendete Geschäftsjahr sind keine nachteiligen Veränderungen in Bezug auf die Geschäftsaussichten der Emittentin eingetreten.

**Großaktionäre**

Die Emittentin ist eine 100%-ige Tochtergesellschaft der Hypo RE Holding.

**Historische  
Finanzinformationen**

Die folgende Tabelle enthält einen Überblick über die wichtigsten Geschäftszahlen der zum 31. Dezember 2005 bzw. zum 31. Dezember 2004 endenden Geschäftsjahre:

	<i>2005</i>	<i>2004</i>
	<u>Millionen Euro</u>	<u>Millionen Euro</u>
Bilanzsumme	74.971	85.374
Eigenkapital (inkl. Fonds für allgemeine Bankrisiken)	2.108	2.056
Forderungen an		
Kreditinstitute	14.438	16.510
Kunden	43.930	49.187
Verbindlichkeiten gegenüber		
anderen Banken	15.508	12.815
Kunden	18.692	20.369
Verbriefte Verbindlichkeiten	36.969	47.703
Neugeschäft	3.195	507
davon		
Hypothekendarlehen	2.796	214
Kommunaldarlehen	399	293
Durchgeführte Bedingungsanpassungen im Hypothekengeschäft	1.752	1.959
Zinsüberschuss	250	416
Betriebsergebnis vor Risikovorsorge	143	260
Betriebsergebnis	36	39
Jahresüberschuss	52	0

<b>Prüfung der historischen Finanzinformationen</b>	Die Abschlussprüfer der Emittentin haben jeweils die Jahresabschlüsse für das am 31. Dezember 2004 und das am 31. Dezember 2005 beendete Geschäftsjahr geprüft und in jedem Fall einen uneingeschränkten Bestätigungsvermerk erteilt.
<b>Zwischenberichte und sonstige Finanzinformationen</b>	Die Emittentin hat seit dem Datum ihres zuletzt geprüften Jahresabschlusses keine Zwischenberichte veröffentlicht.
<b>Prozesse und Schiedsgerichtsverfahren</b>	Die Emittentin ist an keinen Prozessen oder Schiedsgerichtsverfahren beteiligt, die sich wesentlich auf ihre wirtschaftliche Position auswirken könnten.
<b>Wesentliche Änderung der Finanzlage der Emittentin</b>	Soweit nicht in diesem Emissionsprogrammprospekt erläutert, gab es seit dem Datum der zuletzt geprüften Jahresabschlüsse der Emittentin bis zum Datum dieses Emissionsprogrammprospekts keine wesentlichen Veränderungen der Finanzlage der Emittentin.
<b>Wesentliche Verträge</b>	Die Emittentin ist eine Vereinbarung zur Übertragung eines Kreditportfolios mit der Hypo International eingegangen (siehe oben).

#### **4. ZUSAMMENFASSUNG DER BESCHREIBUNG DER SCHULDVERSCHREIBUNGEN**

<b>Währungen</b>	Vorbehaltlich aller geltenden gesetzlichen und aufsichtsrechtlichen Vorschriften, bei Ausgabe von Pfandbriefen einschließlich des Hypothekendarlehenbankgesetzes und ab 19. Juli 2005 des Pfandbriefgesetzes, können die Schuldverschreibungen auf alle Währungen oder Währungseinheiten (einschließlich Euro, Britisches Pfund, Schweizer Franken, US-Dollar, Japanischer Yen o.a.) lauten, die zwischen Emittentin und Platzeur unter Einhaltung aller gesetzlichen und aufsichtsrechtlichen Bestimmungen jeweils vereinbart werden können.
<b>Stückelungen</b>	Die Stückelung der Schuldverschreibungen erfolgt auf der Grundlage der jeweiligen Vereinbarung zwischen der Emittentin und dem betreffenden Platzeur und wird in den betreffenden Endgültigen Bedingungen angegeben, mit der Maßgabe, dass die Mindeststückelung der Schuldverschreibungen so ist, wie dies jeweils von der betreffenden Zentralbank (oder einer vergleichbaren Behörde) gestattet oder verlangt wird, oder wie dies laut Gesetz oder sonstigen Vorschriften, die auf die betreffende Währung Anwendung finden, zulässig oder erforderlich ist.  Schuldverschreibungen, die unter der Bedingung ausgegeben werden, dass sie vor Ablauf eines Jahres ab Ausgabe zurückgezahlt werden müssen, können in Bezug auf Stückelung und Vertrieb besonderen Beschränkungen unterliegen.  In allen Fällen wird die Mindeststückelung jeweils Euro 1.000 betragen.
<b>Laufzeiten</b>	Die Laufzeiten der Schuldverschreibungen werden jeweils zwischen der Emittentin und dem betreffenden Platzeur vereinbart und in den maßgeblichen Endgültigen Bedingungen angegeben, vorbehaltlich von minimalen und maximalen Laufzeiten, wie sie jeweils von der betreffenden Zentralbank (oder einer vergleichbaren Behörde) gestattet oder verlangt werden oder die laut Gesetz oder sonstiger Rechtsvorschriften, die auf die Emittentin oder die betreffende Währung Anwendung finden, zulässig oder erforderlich sind.
<b>Ausgabepreis</b>	Die Schuldverschreibungen können zu ihrem Nennwert, mit einem Abschlag oder einem Aufschlag begeben werden.
<b>Form von Schuldverschreibungen</b>	Schuldverschreibungen können in Form von Inhaberpapieren begeben werden; Pfandbriefe können in Form von Inhaber- oder Namenspapieren begeben werden. Schuldverschreibungen in Inhaberform („Inhaberschuldverschreibungen“), welche

mit dem gleichen Datum ausgegeben werden und in jeder Hinsicht identisch sind (inklusive ihres Listings), stellen eine „Tranche“ dar. Wenn angegeben, bildet eine Tranche von Inhaberschuldverschreibungen zusammen mit einer oder mehreren weiteren Tranchen von Inhaberschuldverschreibungen, die (i) ausdrücklich zusammengefasst und eine Serie bilden sollen und (ii) in jeder Hinsicht (inklusive ihres Listings), außer im Hinblick auf ihr Ausgabedatum, den Verzinsungsbeginn und/oder ihren Ausgabepreis, identisch sind, eine einzelne fungible Serie (eine „Serie“). Inhaberschuldverschreibungen, auf die die *U.S. Treasury Regulation § 1.163-5(c)(2)(i)(c)* (die „*TEFRA C Rules*“) Anwendung findet („*TEFRA C-Schuldverschreibungen*“) werden entweder anfänglich durch eine auf den Inhaber lautende vorläufige Globalurkunde ohne Zinsscheine, welche auf einen anfänglichen Nennbetrag lautet, der dem Gesamtnennbetrag dieser Schuldverschreibungen entspricht („vorläufige Globalurkunde“) oder dauerhaft durch eine auf den Inhaber lautende Dauerglobalurkunde ohne Zinsscheine, welche auf einen Nennbetrag lautet, der dem Gesamtnennbetrag dieser Schuldverschreibungen entspricht („Dauerglobalurkunde“), verbrieft. Jede vorläufige Globalurkunde wird entweder gegen auf den Inhaber lautende Einzelurkunden („Einzelurkunden“) mit Zins- und Erneuerungsscheinen (falls zutreffend) oder, soweit von Euroclear Bank S.A./N.V., als Betreiberin des Euroclear-Systems („Euroclear“) und Clearstream Banking société anonyme („Clearstream, Luxembourg“) und/oder dem entsprechenden alternativen Clearing-System gestattet, teilweise gegen Einzelurkunden und teilweise gegen eine oder mehrere auf den Inhaber lautende Sammelglobalurkunde(n) („Sammelglobalurkunden“) mit Zins- und Erneuerungsscheinen (falls zutreffend) ausgetauscht.

Inhaberschuldverschreibungen, auf die die *U.S. Treasury Regulation § 1.163-5(c)(2)(i)(D)* (die „*TEFRA D Rules*“) Anwendung findet („*TEFRA D-Schuldverschreibungen*“), werden anfänglich durch eine vorläufige Globalurkunde verbrieft. Diese Globalurkunde wird frühestens an dem Tag, der 40 Tage nach dem Ausgabedatum liegt, nach Vorlage einer Bescheinigung mittels eines bei der Emissionsstelle jeweils erhältlichen Formulars, die besagt, dass der oder die wirtschaftliche(n) Eigentümer der durch die vorläufige Globalurkunde verbrieften Schuldverschreibungen keine US-Person(en) ist/sind, gegen eine Dauerglobalurkunde oder Einzelurkunden oder teilweise gegen Einzelurkunden und teilweise gegen eine oder mehrere Sammelglobalurkunden ausgetauscht.

Inhaberschuldverschreibungen, auf die weder die *TEFRA C Rules* noch die *TEFRA D Rules* Anwendung finden, werden entweder anfänglich durch eine vorläufige Globalurkunde oder dauerhaft durch eine Dauerglobalurkunde verbrieft. Eine vorläufige Globalurkunde wird entweder gegen Einzelurkunden oder, sofern vom jeweiligen Clearing-System gestattet, teilweise gegen Einzelurkunden und teilweise gegen eine oder mehrere Sammelglobalurkunden ausgetauscht.

Pfandbriefe, die in Form von Inhaberpapieren ausgegeben werden und auf die die *TEFRA C Rules* Anwendung finden, werden durch einen auf den Inhaber lautenden Dauerglobalpfandbrief ohne Zinsscheine, dessen Nennbetrag dem Gesamtnennbetrag aller Pfandbriefe dieser Art entspricht, („Dauerglobalpfandbrief“) verbrieft.

Pfandbriefe, die in Form von Inhaberpapieren ausgegeben werden und auf die die *TEFRA D Rules* Anwendung finden, werden anfänglich durch einen vorläufigen auf den Inhaber lautenden Globalpfandbrief ohne Zinsscheine, dessen Nennbetrag dem Gesamtnennbetrag aller Pfandbriefe dieser Art entspricht, („vorläufiger Globalpfandbrief“) verbrieft. Vorläufige Globalpfandbriefe werden frühestens an dem Tag, der 40 Tage nach dem Ausgabedatum liegt, nach Vorlage einer Bescheinigung mittels des bei der Emissionsstelle jeweils erhältlichen Formulars, die besagt, dass der oder die wirtschaftliche(n) Eigentümer der durch den vorläufigen Globalpfandbrief verbrieften Schuldverschreibungen keine US-Person(en) ist/sind, gegen

einen Dauerglobalpfandbrief ausgetauscht.

Auf den Inhaber lautende Pfandbriefe, auf die weder die *TEFRA C Rules* noch die *TEFRA D Rules* Anwendung finden, werden durch einen Dauerglobalpfandbrief verbrieft.

Dauerglobalurkunden, vorläufige Globalpfandbriefe und Dauerglobalpfandbriefe werden nicht gegen Einzelurkunden oder Sammelglobalurkunden ausgetauscht.

In dieser Zusammenfassung bezeichnet der Begriff „Globalurkunde“ eine vorläufige Globalurkunde, eine Dauerglobalurkunde, einen vorläufigen Globalpfandbrief oder einen Dauerglobalpfandbrief.

Pfandbriefe, die in Form von Namenspapieren ausgegeben werden, werden durch einen Namenspfandbrief ohne Zinsscheine verbrieft, der auf einen Nennbetrag lautet, welcher dem Gesamtnennbetrag dieser Pfandbriefe entspricht („Namenspfandbrief“).

Die Emittentin kann Pfandbriefe als Hypothekendarlehenpfandbriefe oder öffentliche Pfandbriefe begeben.

#### **Pfandbriefe**

Hypothekendarlehenpfandbriefe und öffentliche Pfandbriefe begründen Rückgriffsverbindlichkeiten der Emittentin. Sie sind durch jeweils getrennte Pools bestehend aus Hypothekendarlehenkrediten (im Fall von Hypothekendarlehenpfandbriefen) oder öffentlichen Krediten (im Fall von öffentlichen Pfandbriefen) gedeckt.

#### **Festverzinsliche Schuldverschreibungen**

Zinsen auf festverzinsliche Schuldverschreibungen sind nachträglich auf der Grundlage und zu den Zeitpunkten wie jeweils zwischen der Emittentin und dem betreffenden Plazeur vereinbart (und in den maßgeblichen Endgültigen Bedingungen angegeben) und bei Rückgabe zahlbar.

#### **Variabel verzinsliche Schuldverschreibungen**

Der Zinssatz, zu dem variabel verzinsliche Schuldverschreibungen verzinst werden, wird auf derselben Grundlage ermittelt wie ein variabler Zinssatz im Rahmen einer fiktiven Zins-Swap-Transaktion in der jeweils festgelegten Währung, die unter einem Vertrag, welcher die von der *International Swaps and Derivatives Association, Inc.*, herausgegebenen *2000 ISDA Definitions* in ihrer jeweils gültigen Fassung enthält, geschlossen wird, oder auf Grundlage eines auf einer festgelegten Seite eines kommerziellen Kursinformationssystems veröffentlichten Referenzzinssatzes oder auf einer anderen jeweils von der Emittentin und dem betreffenden Plazeur vereinbarten (und in den Endgültigen Bedingungen angegebenen) Grundlage. Variabel verzinsliche Schuldverschreibungen können auch einen maximalen Zinssatz, einen minimalen Zinssatz oder beides aufweisen.

Eine etwaige Marge bezogen auf einen solchen variablen Zinssatz wird zwischen der Emittentin und dem betreffenden Plazeur für jede Emission von variabel verzinslichen Schuldverschreibungen festgelegt.

Zinsen auf variabel verzinsliche Schuldverschreibungen sind nachträglich auf der Grundlage und zu den Zeitpunkten, wie jeweils zwischen der Emittentin und dem betreffenden Plazeur vereinbart (und in den maßgeblichen Endgültigen Bedingungen angegeben) zahlbar.

#### **Indexierte Schuldverschreibungen**

Zahlungen von Zinsen in Bezug auf Schuldverschreibungen mit Index abhängiger Verzinsung oder von Kapital in Bezug auf Schuldverschreibungen mit Index abhängiger Rückzahlung werden durch Bezugnahme auf einen solchen Index oder andere(n) Faktor und/oder Formel, wie von der Emittentin und dem betreffenden Plazeur jeweils vereinbart (und in den maßgeblichen Endgültigen Bedingungen



	angegeben), berechnet.
<b>Andere Bestimmungen in Bezug auf variabel verzinsliche Schuldverschreibungen und Schuldverschreibungen mit Index abhängiger Verzinsung</b>	Variabel verzinsliche Schuldverschreibungen und Schuldverschreibungen mit Index abhängiger Verzinsung können einen maximalen Zinssatz, einen minimalen Zinssatz oder beides aufweisen. Zinsen auf variabel verzinsliche Schuldverschreibungen und Schuldverschreibungen mit Index abhängiger Verzinsung sind in Bezug auf jede vor Ausgabe der Schuldverschreibungen von der Emittentin und dem Plazeur festgelegte Zinsperiode an solchen Zinszahlungstagen fällig und werden auf der Grundlage berechnet, wie jeweils in den maßgeblichen Endgültigen Bedingungen angegeben.
<b>Doppelwährungs-Schuldverschreibungen</b>	Zahlungen (von Kapital oder Zinsen, sei es bei Fälligkeit oder zu einem anderen Zeitpunkt) auf Doppelwährungs-Schuldverschreibungen erfolgen in der Währung und auf Grundlage der Wechselkurse, die zwischen der Emittentin und dem betreffenden Plazeur vereinbart und in den maßgeblichen Endgültigen Bedingungen angegeben sind.
<b>Nullkupon-Schuldverschreibungen</b>	Nullkupon-Schuldverschreibungen können mit einem Abschlag auf ihren Kapitalbetrag angeboten und verkauft werden. Sie werden, ausgenommen bei verspäteter Zahlung, nicht verzinst.
<b>Besteuerung</b>	<p>Alle Zins- und Kapitalzahlungen unter den Schuldverschreibungen, die von der Emittentin zu tätigen sind, erfolgen ohne Abzüge für oder Einbehaltung von etwaigen gegenwärtigen oder zukünftigen Steuern, Gebühren oder staatlichen Abgaben welcher Art auch immer, die (in Bezug auf alle Schuldverschreibungen) in oder von der Bundesrepublik Deutschland und (in Bezug auf Schuldverschreibungen, die durch eine ausländische Niederlassung (falls zutreffend) der Emittentin begeben werden) in oder von der Jurisdiktion, in der sich die jeweilige Niederlassung befindet, erhoben werden, es sei denn, eine solche Einbehaltung ist gesetzlich vorgeschrieben. In diesem Falle wird die Emittentin einen solchen zusätzlichen Betrag zahlen, der notwendig ist, um sicherzustellen, dass die Gläubiger der Schuldverschreibungen vorbehaltlich der handelsüblichen Ausnahmen den vollen auf den Schuldverschreibungen genannten Betrag erhalten.</p> <p>Im Falle von Pfandbriefen ist die Emittentin nicht verpflichtet, zusätzliche Beträge für Steuern oder Gebühren, die wie oben beschrieben von Zins- oder Kapitalzahlungen einbehalten oder abgezogen werden, zu zahlen.</p>
<b>Rückzahlung</b>	<p>Gemäß den maßgeblichen Endgültigen Bedingungen ist eine vorzeitige Rückzahlung der Schuldverschreibungen entweder ausgeschlossen (ausgenommen in festgelegten Raten (siehe unten) oder aus steuerlichen Gründen oder bei Eintritt eines Kündigungsgrundes) oder nach Wahl der Emittentin und/oder Gläubiger durch unwiderrufliche Mitteilung an die Gläubiger bzw. die Emittentin innerhalb einer Frist von höchstens 60 und mindestens 30 Tagen (oder einer anderen in den maßgeblichen Endgültigen Bedingungen genannten Frist) an dem Tag/den Tagen, der/die vor dem angegebenen Fälligkeitstermin festgelegt wird/werden, zu einem Preis/zu Preisen und zu solchen Bedingungen, wie in den maßgeblichen Endgültigen Bedingungen genannt, möglich.</p> <p>Die Endgültigen Bedingungen können festlegen, dass die Schuldverschreibungen in zwei oder mehreren Raten in der Höhe und zu den Zeitpunkten zurückgezahlt werden können, wie jeweils in den Endgültigen Bedingungen angegeben.</p> <p>Eine vorzeitige Rückzahlung von Pfandbriefen aus Steuergründen, bei Eintritt eines Kündigungsgrundes oder nach Wahl der Pfandbriefgläubiger ist nicht möglich.</p>
<b>Status der Schuldverschreibungen</b>	Sofern sie nicht gemäß ihren Endgültigen Bedingungen nachrangige Schuldverschreibungen sind, begründen die Schuldverschreibungen direkte, unbedingte, nicht

besicherte und nicht nachrangige Verbindlichkeiten der Emittentin und sind wenigstens gleichrangig allen anderen nicht besicherten Verbindlichkeiten der Emittentin, soweit diesen nicht durch gesetzliche Bestimmungen ein Vorrang eingeräumt wird (einschließlich Verbindlichkeiten aus Hypothekendarlehenpfandbriefen oder öffentlichen Pfandbriefen, die von der Emittentin ausgegeben wurden).

Schuldverschreibungen, die als Pfandbriefe ausgegeben werden, begründen direkte, unbedingte und nicht nachrangige Verbindlichkeiten der Emittentin, die untereinander gleichrangig und (i) im Falle von öffentlichen Pfandbriefen mindestens gleichrangig mit allen anderen Verbindlichkeiten der Emittentin aus öffentlichen Pfandbriefen und (ii) im Falle von Hypothekendarlehenpfandbriefen mindestens gleichrangig mit allen anderen Verbindlichkeiten der Emittentin aus Hypothekendarlehenpfandbriefen sind. Pfandbriefe sind durch jeweils getrennte Pools bestehend aus öffentlichen Krediten (bei öffentlichen Pfandbriefen) bzw. Hypothekendarlehenskrediten (bei Hypothekendarlehenpfandbriefen) gedeckt.

Wenn die Schuldverschreibungen gemäß ihren Endgültigen Bedingungen nachrangige Schuldverschreibungen sind, (i) sind die Schuldverschreibungen direkte, unbedingte, nicht besicherte und nachrangige Verbindlichkeiten der Emittentin, die mindestens mit allen anderen nicht besicherten, nachrangigen Verbindlichkeiten der Emittentin gleichrangig sind und (ii) sind die Ansprüche, die durch die Schuldverschreibungen begründet werden, nachrangig gegenüber den Ansprüchen aller anderen Gläubiger der Emittentin, die nicht auch nachrangig sind, wie in Bedingung 2 der Anleihebedingungen (Inhaberschuldverschreibungen) angegeben.

**Negativverpflichtung**

Keine.

**Cross Default-Klausel**

Keine.

**Geltendes Recht**

Deutsches Recht.

**Gerichtsstand**

Der nicht ausschließliche Gerichtsstand in Bezug auf Gerichtsverfahren, die im Zusammenhang mit diesen Schuldverschreibungen entstehen, ist München.

### **III. GENERAL DESCRIPTION OF THE PROGRAM**

On 24 October 2001, the Issuer entered into a Euro 25,000,000,000 Debt Issuance Program and issued an information memorandum on that date describing the Program. On 29 November 2002 and on 15 April 2004, the information memorandum was amended and restated. On 30 August 2005 the Program was updated and amendments for the first time as required in the course of the implementation of the Directive 2003/71/EC (the “Prospectus Directive”) and by the directly applicable Prospectus Regulation have been integrated in the Debt Issuance Program Prospectus. The date of the updated and amended Debt Issuance Program Prospectus is 15 May 2006. This Debt Issuance Program Prospectus supersedes all previous information memoranda, prospectuses and supplements thereto. Any Notes to be issued after the date hereof under the Program are issued subject to the provisions set out herein. This does not affect any Notes issued prior to the date hereof.

#### **1. ISSUES PROCEDURES**

Under the Program, the Issuer may from time to time issue Notes denominated in any currency or currency unit and having a maturity as may be agreed between the Issuer and the relevant Dealers and as indicated in the applicable Final Terms, subject to such minimum or maximum maturities as may be allowed or required from time to time by the relevant regulatory authority or any laws or regulations applicable to the Issuer or the relevant Specified Currency. The applicable terms of any Notes will be agreed between the Issuer and the relevant Dealer(s) prior to the issue of the Notes and will be set out in the applicable Terms and Conditions (as defined below) or any alternative terms and conditions of the Notes attached to, endorsed on, or incorporated by reference into, the Notes, as modified and supplemented by the applicable Final Terms (if any) attached to, or endorsed on, or otherwise incorporated into, such Notes, as more fully described under “Forms of Final Terms” below.

#### **2. PROGRAM AMOUNT**

This Debt Issuance Program Prospectus and any Supplement hereto will only be valid for issuing and/or listing Notes on the Luxembourg Stock Exchange in an aggregate principal amount which, when added to the aggregate principal amount then outstanding of all Notes previously or simultaneously issued under the Program, does not exceed Euro 25,000,000,000 or its equivalent in other currencies. For the purpose of calculating the Euro equivalent of the aggregate principal amount of Notes issued under the Program from time to time:

- (a) the Euro equivalent of Notes denominated in another Specified Currency (as defined under “Forms of Final Terms” below) shall be determined as of the date of the agreement to issue such Notes (the “Agreement Date”) on the basis of the mid price spot rate of REUTERS for the sale of Euro against the purchase of such Specified Currency;
- (b) the Euro equivalent of Dual Currency Notes (as defined under “Forms of Final Terms” below) shall be calculated in the manner specified above by reference to the original principal amount of such Notes;
- (c) the Euro equivalent of Zero Coupon Notes (as defined under “Forms of Final Terms” below) and other Notes issued at a discount shall be calculated in the manner specified above by reference to the principal amount of such Notes; and
- (d) the Euro equivalent of Partly-Paid Notes (as defined under “Forms of Final Terms” below) shall be the principal amount regardless of the amount paid upon such Notes.

#### **3. USE OF PROCEEDS**

The net proceeds from each issue of Notes will be used for the Issuer’s general corporate purposes.

#### **4. AUTHORIZATION**

The establishment of the Program and the issue of Notes under the Program were duly authorized by a resolution of the Issuer’s management board dated 17 September 2001.

## **5. SUPPLEMENTS**

The Issuer has given an undertaking in connection with the listing of the Notes on the Luxembourg Stock Exchange to the effect that, so long as any Note remains outstanding and listed on such Exchange, or in connection with the public offering of Notes, so long as the Debt Issuance Program Prospectus is approved and the offer is not closed, in the event of every significant new factor, material mistake or inaccuracy to the information included in the Debt Issuance Program Prospectus which is capable of affecting the assessment of the Notes the Issuer will prepare a Supplement to the Debt Issuance Program Prospectus pursuant to Article 16 of the Prospectus Directive and Article 13 of the Luxembourg Law on Prospectuses for Securities (*loi du 10 Juillet 2005 relative aux prospectus pour valeurs mobilières*) respectively (the “Supplement”) or publish a new Debt Issuance Program Prospectus for use in connection with any subsequent issue of Notes to be listed on the Luxembourg Stock Exchange. If the terms of the Program are modified or amended in a manner which would make the Debt Issuance Program Prospectus, as supplemented, inaccurate or misleading, a new Debt Issuance Program Prospectus will be prepared.

## **6. EUROCLEAR AND CLEARSTREAM, LUXEMBOURG**

The Bearer Notes, including Bearer Pfandbriefe, have been accepted for clearance through Euroclear Bank S.A./N.V. (Euroclear Operator), 1 Boulevard du Roi Albert II, B-1210 Brussels (“Euroclear”) and/or Clearstream Banking S.A., Luxembourg, 42 Avenue JF Kennedy, L-1855 Luxembourg (“Clearstream, Luxembourg”). The appropriate codes for each Tranche allocated by Euroclear and/or Clearstream, Luxembourg will be contained in the relevant Final Terms. The Issuer and the relevant Dealer(s) may agree to deposit, or otherwise arrange for the clearance of, Bearer Notes issued under the Program with or through an alternative clearing system, including Clearstream Banking AG, Neue Börsenstraße 1, D-60485 Frankfurt (“Clearstream, Frankfurt”). The relevant details of such alternative clearing system will be contained in the relevant Final Terms.

## **7. APPROVAL OF DEBT ISSUANCE PROGRAM PROSPECTUS AND NOTIFICATION**

Approval of this Debt Issuance Program Prospectus pursuant to Article 13 of the Directive 2003/71/EC (the “Prospectus Directive”) and Article 7 of the Luxembourg Law on Prospectuses for Securities (*loi du 10 Juillet 2005 relative aux prospectus pour valeurs mobilières*) has only been sought from the Competent Authority and from no other competent authority in another Member State of the European Union or any other State which has or will implement the Prospectus Directive.

As at the date of this Debt Issuance Program Prospectus, a notification of the Debt Issuance Program Prospectus and of all Notes issued under the Program pursuant to Article 18 of the Prospectus Directive to is not intended. However, the Issuer will decide from time to time whether it requests a notification pursuant to Article 18 of the Prospectus Directive and Article 19 of the Luxembourg Law on Prospectuses for Securities (*loi du 10 Juillet 2005 relative aux prospectus pour valeurs mobilières*) to other competent authorities, in particular in connection with a Tranche of Notes, as may be agreed by the Issuer and the relevant Dealer(s).

## IV. RISK FACTORS

The following is a disclosure of risk factors that may affect the Issuer's ability to fulfil its obligations under the Notes. Prospective purchasers of Notes should consider these risk factors, together with the other information in this Debt Issuance Program Prospectus, before deciding to purchase Notes issued under the Program.

The following statements are not exhaustive. Prospective purchasers of Notes are also advised to consult their own tax advisors, legal advisors, accountants or other relevant advisors as to the risks associated with, and consequences of, the purchase, ownership and disposition of Notes, including the effect of any laws of each country of which they are residents.

An attempt to quantify the risks relating to the Issuer and the Notes is undertaken by ratings. These ratings may not reflect the potential impact of all risks relating to the Issuer or the Notes. As at the date of this Debt Issuance Program Prospectus, the following ratings are available by Fitch Ratings Ltd. ("Fitch"), Moody's Investors Service Ltd. ("Moody's") and Standard & Poor's Ratings Services ("S&P"):

<i>Type of Notes</i>	<i>Fitch</i>	<i>Moody's</i>	<i>S&amp;P</i>
Public Sector Pfandbriefe	AAA	Aa1 <sup>*)</sup>	AAA
Mortgage Pfandbriefe	AA+	Aa3 <sup>*)</sup>	not rated
Short-term Notes	F2	P-2	A-2
Long-term Senior Notes	BBB+	A3	BBB+
Outlook	Stable	Stable	Stable
Subordinated Notes	BBB	Baa1	BBB

<sup>\*)</sup> Review for possible upgrade.

Notes to be issued under the Program may be rated or unrated. Where an issue of Notes is rated, its rating may not be the same as the rating applicable to the Program. A security rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time by the assigning rating organisation. Any negative change in the credit rating of the Issuer could adversely affect the trading price of the Notes. The current rating respectively is available via electronic information systems.

### 1. RISKS RELATING TO THE ISSUER

Even if the Issuers concentrates on low-risk business areas and applies strict risk control methods as demanded by German law, in particular by the Mortgage Bank Act and the successor Pfandbrief Act (see Section X. "German Pfandbriefe and the German Mortgage Banking Sector"), there are risk factors that affect the Issuer's ability to fulfil its obligations under Notes issued under the Program. These risk factors can be divided into the following categories:

#### **Credit Risk**

Credit risks are losses from bad debts or from the deterioration of customers' credit rating. Credit risks can be subdivided further into counterparty default risks, including the counterparty risks and the country risks, and credit rating risks.

The risk of counterparty default is the risk of a loss or a profit not realized as a result of non-payment by a business partner or a deterioration of his or her creditworthiness. The risk of counterparty default includes the counterparty risk (risk from traditional lending business, replacement risk and the advance payment and settlement risk) and the specific country risk. Country risks are risks attributable to transfers via or from other countries or to the convertibility of other currencies.

Credit rating risk refers to the fact that the rating applied to a counterparty; e.g. a mortgage borrower, which indicates his or her ability to fulfil timely payment of principal and interest, may deteriorate due to

individual (borrower specific) circumstances.

### **Market Price Risk**

As a generic term, general market risk is defined as the potential loss of value of a portfolio that could result from changes in market parameters and the volatility of such parameters. For the Issuer, market risk is mostly composed of interest rate risk. Option volatilities and foreign currency risks play a much less important role.

### **Interest Rate Risk**

The interest rate risk describes the possible loss that could result from a change in the interest rate curve. Interest rate risk mainly results from maturity incongruences between the Bank's lending and funding positions that typically result from short-term refinancing of long-term loans. Measurement of the interest rate risk includes the balance-sheet interest rate positions and corresponding hedge transactions.

### **Liquidity Risk**

In the narrow meaning of the term, liquidity risk (also referred to as solvency or refinancing risk) refers to the possible inability to fulfil present and future payment obligations. The liquidity risk is broken down into three categories: i) The short-term liquidity risk is the risk of insufficient liquidity for the performance of day-to-day payment obligations. ii) Structural liquidity risk is the risk arising from an imbalance in the medium and long-term liquidity structure, being the result of inadequate management of the cost risks, which are associated with the procurement of funds and the earnings risks, which are associated with investments. iii) Market liquidity risk is the risk of insufficient liquidity of pertinent financial instruments, with the consequence that positions can be closed out only, if at all, at a disproportionately high cost.

### **Operational Risks**

Operational risk is defined as the risk of unexpected losses occurring due to human error, defective management processes, natural and other disasters, technological failure or changes in the external environment (event risk) Legal Risks are also part of the operational risk. Legal risks may arise from the unexpected modification of elementary legal provisions, disadvantageous contractual arrangements and (actual and potential) legal disputes with third parties.

### **Other Risks**

The Other Risks category for the Issuer's purposes essentially comprises business and strategic risk. Business risks are a rapid and substantial decline in business opportunities with a corresponding fall in revenues. Strategic risk may occur if significant continuous changes take place relating to the classification of the Bank's organisational structure or its positioning on property and capital markets. Furthermore Other Risks include reputational, tax and real estate risk. Real estate risks may arise through the Issuer's various real estate affiliates.

Detailed information on risks and the Issuer's risk management tools is contained in the Risk Report as part of the Issuer's Annual Report 2005 on pages 10 to 16.

## **2. RISKS RELATING TO THE NOTES**

Risk factors relating to the Notes can be divided into the following categories.

### **General Risks Relating to the Notes**

#### *Independent Review and Advice*

Each potential investor in the Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

- a) have sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits

and risks of investing in the Notes and the information contained or incorporated by reference in this Debt Issuance Program Prospectus or any applicable Supplement;

- b) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact the Notes will have on its overall investment portfolio;
- c) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including Notes with principal or interest payable in one or more currencies, or where the currency for principal or interest payments is different from the potential investor's currency;
- d) understand thoroughly the terms of the Notes and be familiar with the behaviour of any relevant indices and financial markets; and
- e) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

Some Notes are complex financial Notes. Sophisticated institutional investors generally do not purchase complex financial Notes as stand-alone investments. They purchase complex financial Notes as a way to reduce risk or enhance yield with an understood, measured, appropriate addition of risk to their overall portfolios. A potential investor should not invest in Notes which are complex financial Notes unless it has the expertise (either alone or with a financial adviser) to evaluate how the Notes will perform under changing conditions, the resulting effects on the value of the Notes and the impact this investment will have on the potential investor's overall investment portfolio.

#### *Liquidity Risk*

Application has been made to the Luxembourg Stock Exchange for the Notes to be listed on the Luxembourg Stock Exchange and admitted to trading on the regulated market of the Luxembourg Stock Exchange. In addition, the Program provides that Notes may be listed on other or further stock exchanges or may not be listed at all. Regardless of whether the Notes are listed or not, there can be no assurance that a liquid secondary market for the Notes will develop or, if it does develop, that it will continue. The fact that the Notes may be listed does not necessarily lead to greater liquidity than if they were not listed. If the Notes are not listed on any exchange, pricing information for such Notes may, however, be more difficult to obtain which may affect the liquidity of the Notes adversely. In an illiquid market, an investor might not be able to sell his Notes at any time at fair market prices. The possibility to sell the Notes might additionally be restricted by country specific reasons.

#### *Currency Risk/Dual Currency Notes*

A holder of a Note denominated in a foreign currency or a holder of Dual Currency Notes is exposed to the risk of changes in currency exchange rates which may affect the yield of such Notes. A change in the value of any foreign currency against the euro, for example, will result in a corresponding change in the euro value of a Note denominated in a currency other than euro and a corresponding change in the euro value of interest and principal payments made in a currency other than euro in accordance with the terms of such Note. If the underlying exchange rate falls and the value of the euro correspondingly rise, the price of the Note and the value of interest and principal payments made hereunder expressed in euro falls.

#### *Risk of Early Redemption*

The applicable Final Terms will indicate whether the Issuer may have the right to call the Notes prior to maturity for reasons of taxation or at the option of the Issuer (optional call right). If the Issuer redeems any Note prior to maturity, a holder of such Note is exposed to the risk that due to early redemption his investment may have a lower than expected yield. The Issuer might exercise his optional call right if the yield on comparable Notes in the capital market falls which means that the investor may only be able to reinvest the redemption proceeds in Notes with a lower yield.

### *Subordinated Notes of the Issuer*

The Issuer may issue Subordinated Notes. The obligations of the Issuer in case of Subordinated Notes constitute unsecured and subordinated obligations. In the event of the liquidation, insolvency, composition or other proceedings for the avoidance of insolvency of, or against, the Issuer, such obligations will be subordinated to the claims of all unsubordinated creditors of the Issuer so that in any such event no amounts will be payable under such obligations until the claims of all unsubordinated creditors of the Issuer will have been satisfied in full. No holder may set off his claims arising under the Notes against any claims of the Issuer. No security of whatever kind is, or will at any time be, provided by the Issuer or any other person securing rights of the holders under such Notes. No subsequent agreement may limit the subordination or amend the maturity date in respect of the Notes to any earlier date or shorten any applicable notice period.

### *Taxation*

Potential purchasers and sellers of the Notes should be aware that they may be required to pay taxes or other documentary charges or duties in accordance with the laws and practices of the country where the Notes are transferred to or of other jurisdictions. In some jurisdictions, no official statements of the tax authorities or court decisions may be available for innovative financial Notes such as the Notes. Potential investors are advised not to rely upon the tax summary contained in this document and/or in the Final Terms but to ask for their own tax adviser's advice on their individual taxation with respect to the acquisition, sale and redemption of the Notes. Only these advisors are in a position to duly consider the specific situation of the potential investor. This investment consideration has to be read in connection with Section X ("Taxation") of this Debt Issuance Program Prospectus and the additional tax sections, if any, contained in the relevant Final Terms.

### *Legality of Purchase*

Neither the Issuer, the Dealers nor any of their respective affiliates has or assumes responsibility for the lawfulness of the acquisition of the Notes by a prospective purchaser of the Notes, whether under the laws of the jurisdiction of its incorporation or the jurisdiction in which it operates (if different) or for compliance by that prospective purchaser with any laws, regulation or regulatory policy applicable to it. A prospective purchaser may not rely on the Issuer, the Dealers or any of their respective affiliates in connection with its determination as to the legality of its acquisition of the Notes.

### *Change of Law*

The Terms and Conditions of the Notes are based on German law in effect as at the date of this Debt Issuance Program Prospectus. No assurance can be given as to the impact of any possible judicial decision or change to German law or administrative practice after the date of this Debt Issuance Program Prospectus.

## **Risks Relating to Specific Types of Notes**

### *Fixed Rate Notes*

A holder of a Fixed Rate Note is exposed to the risk that the price of such Note falls as a result of changes in the market interest rate. While the nominal interest rate of a Fixed Rate Note as specified in the applicable Final Terms is fixed during the life of such Note, the current interest rate on the capital market ("market interest rate") typically changes on a daily basis. As the market interest rate changes, the price of a Fixed Rate Note also changes, but in the opposite direction. If the market interest rate increases, the price of a Fixed Rate Note typically falls, until the yield of such Note is approximately equal to the market interest rate. If the market interest rate falls, the price of a Fixed Rate Note typically increases, until the yield of such Note is approximately equal to the market interest rate. If the holder of a Fixed Rate Note holds such Note until maturity, changes in the market interest rate are without relevance to such holder as the Note will be redeemed at a specified redemption amount, usually the principal amount of such Note.



### *Floating Rate Notes*

A holder of a Floating Rate Note is exposed to the risk of fluctuating interest rate levels and uncertain interest income. Fluctuating interest rate levels make it impossible to determine the yield of Floating Rate Notes in advance.

### *Zero Coupon Notes*

Zero Coupon Notes do not pay current interest but are typically issued at a discount from their nominal value. Instead of periodical interest payments, the difference between the redemption price and the issue price constitutes interest income until maturity and reflects the market interest rate. A holder of a Zero Coupon Note is exposed to the risk that the price of such Note falls as a result of changes in the market interest rate. Prices of Zero Coupon Notes are more volatile than prices of Fixed Rate Notes and are likely to respond to a greater degree to market interest rate changes than interest bearing notes with a similar maturity.

### *Index-Linked Notes*

Index-Linked Notes may either be issued as Index-Linked Redemption Amount Notes or as Index-Linked Interest Notes or as a combination of both (together “Index-Linked Notes”), except for Pfandbriefe which may only be issued as Index-Linked Interest Notes. Redemption payments in respect of Index-Linked Redemption Amount Notes or of interest in respect of Index-Linked Interest Notes will be calculated by reference to such index (including for example currencies, commodities or securities exchange indices) or other factors (including for example changes in inflation rates) and/or such formula as the Issuer and the relevant Dealer may agree (as set out in the relevant Final Terms). An investment in Index-Linked Notes entails significant risks that are not associated with similar investments in a conventional fixed-rate debt security. If the interest rate of Index-Linked Interest Notes is so indexed, other factor and/or formula, it may result in an interest rate that is less than that payable on a conventional fixed-rate debt security issued at the same time, including the possibility that no interest will be paid, and if the principal amount of Index-Linked Redemption Amount Note is so indexed, other factor and/or formula, the principal amount payable at maturity may be less than the original purchase price of Index-Linked Notes if allowed pursuant to the terms of Index-Linked Notes, including the possibility that no redemption payment will be made. The secondary market for Index-Linked Notes will be affected by a number of parameters, independent of the creditworthiness of the Issuer and the value of the applicable index or other factor and/or formula, including the volatility of the applicable index, other factor and/or formula, the time remaining to the maturity of Index-Linked Notes, the amount outstanding of Index-Linked Notes and market interest rates. Therefore, investors should be aware that the market price of Index-Linked Notes may be highly volatile (depending on the volatility of the relevant index, other factor and/or formula). The value of the applicable index, other factor and/or formula depends on a number of interrelated parameters, including economic, financial and political events, over which the Issuer has no control. Additionally, if the formula used to determine the redemption amount or interest payable with respect to Index-Linked Notes contains a multiple or leverage factor, the effect of any change in the applicable index, other factor and/or formula will be increased. The past performance of the relevant index, other factor and/or formula should not be taken as an indication of the future performance of such index, other factor and/or formula during the term of Index-Linked Notes.

### *Pfandbriefe*

In principle, the same risks described under this section apply to Pfandbriefe issued under the Program subject to several exemptions such as: (i) The insolvency risk of the Issuer is mitigated by the fact that each of the Mortgage Pfandbriefe (Hypothekendarlehenpfandbriefe) and the public sector Pfandbriefe (Öffentliche Pfandbriefe) are covered by separate pools of assets which are not part of the insolvency estate of the Issuer, if insolvency proceedings are opened over the assets of the Issuer (see Section X. “German Pfandbriefe and the German Mortgage Banking Sector”) and (ii) the structuring of Pfandbriefe with respect to the redemption amount is restricted, i. e. the repayment of the principal amount is fixed on the day of the issue.

## **V. HYPO REAL ESTATE BANK AG**

### **1. STATUTORY AUDITORS**

Independent auditors of the Issuer are Bayerische Treuhandgesellschaft Aktiengesellschaft, Wirtschaftsprüfungsgesellschaft, Steuerberatungsgesellschaft, Ganghoferstrasse 29, 80339 Munich (“Bayerische Treuhandgesellschaft AG”). They have audited the financial statements of the Issuer as of 31 December 2004 and 31 December 2005 and given their unqualified opinion in each case.

Bayerische Treuhandgesellschaft AG is a member of the German certified public accountants association (*Wirtschaftsprüferkammer*).

### **2. INFORMATION ABOUT THE ISSUER**

The Issuer acts under its legal and commercial name “Hypo Real Estate Bank AG” (thereafter also “Hypo RE Bank”).

The Issuer is registered with the commercial register in Munich under number HRB 41054. It was formed by the merger of two mixed mortgage banks (*gemischte Hypothekenbanken*), i.e. Bayerische Handelsbank AG and Nürnberger Hypothekenbank AG, and one mortgage bank (*Hypothekenbank*), i.e., Süddeutsche Bodencreditbank AG, on 3 September 2001, with retroactive effect as of 1 January 2001.

The Issuer is incorporated as a stock corporation (*Aktiengesellschaft*) under the laws of the Federal Republic of Germany.

The Issuer has its registered office at Von-der-Tann-Strasse 2, D-80539 Munich. Its telephone number is +49 89 2880 0.

At the beginning of 2006, a restructuring of Hypo Real Estate Group (the “Hypo RE Group”) took place (for details on the group structure see below). In the context of the restructuring, the Issuer entered into an agreement with Hypo Real Estate Bank International Aktiengesellschaft, Stuttgart (“Hypo International”), according to which Hypo International transfers to the Issuer a loan portfolio governed by German law (the “Transfer Agreement”). The total loan portfolio has an aggregate nominal value of about Euro 3.2 billion and contains two partial loan portfolios: One partial loan portfolio is related to residential properties (approximately 37 per cent.) and the other partial loan portfolio is related to commercial properties (approximately 63 per cent.). The transfer became economically effective as of 1 January 2006 in such way that all benefits and encumbrances, chances and risks, profits and expenses are assumed by Hypo RE Munich, which, thus, becomes the beneficial owner of the total loan portfolio. For the partial loan portfolio related to the financing of residential properties a legal transfer took place in May 2006.

### **3. BUSINESS OVERVIEW**

#### **Principal Activities**

The Issuer acts as a centre of competence for the German market within the Hypo RE Group and is responsible for all domestic business (for details on the organisational structure see below). Target customers for new business include professional real estate investors, housing companies, property developers and real-estate funds. The Issuer targets both domestic investors and also international customers wishing to invest in the German real estate market. The Issuer focuses on solution-oriented transaction banking. The product range extends from traditional real estate loans to the complex structuring of transactions including the full range of services of a modern real estate financier.

### *Property Finance*

The Issuer is focused on commercial real estate financing. As at 31 December 2005 and taking into account the effects of the Transfer Agreement, the entire property financing business of the Issuer amounted to approximately Euro 33.9 billion (approximately 53 per cent. residential properties and approximately 47 per cent. commercial properties).

### *Public Sector Finance*

46 per cent. of the outstanding assets of the Issuer as at 31 December 2005 (in total Euro 24,141 million), were loans to the public sector. The most important counterparties were the German Federal States (*Länder*) (approximately 41 per cent.) and the Federal Republic (approximately 7 per cent.).

In addition, approximately 37 per cent. of public sector loans have been made to financial institutions like "Landesbanken", savings banks or special purpose financial institutions. Foreign public sector lending accounted for Euro 1,700 million, i.e. approximately 7 per cent.

### *Funding*

German mortgage banks and as of 19 July 2005 under the new German Pfandbrief Act all banks that have a licence pursuant to Article 2 Pfandbrief Act have the ability to issue special bonds, so-called Pfandbriefe. There are two important sources of funding, the Mortgage Pfandbrief (*Hypothekentpfandbrief*) and the Public Sector Pfandbrief (*Öffentlicher Pfandbrief*). Principal of and interest on these bonds have to be covered at all times by a pool of assets supervised by an independent trustee. For this purpose mortgage banks use two independent registers: Mortgage Pfandbriefe are backed by qualified mortgage loans, Public Sector Pfandbriefe are backed by public sector loans. Though the assets are listed in special registers, they remain in the Issuer's balance sheet. The Issuer funds the assets which are not eligible for any of the registers by Senior unsecured bonds. See Section X. ("German Pfandbriefe and the German Mortgage Banking Sector").

The Issuer is refinancing its lending business largely congruently through the issuance of Pfandbriefe (including Jumbo Pfandbriefe with issue sizes of at least Euro1 billion) and other financial instruments. The Issuer's whole funding activities amounted to Euro 52,546 million as at 31 December 2005 (thereof Euro 20,729 million Mortgage Pfandbriefe and Euro 29,000 million Public Sector Pfandbriefe and Euro 2,817 million Senior unsecured bonds). The Issuer frequently enters into derivatives transactions for hedging purposes. Interest rate swaps are used to hedge interest rate positions in the Issuer's loan portfolio as well as in the Issuer's refinancing activities. Currency risks in the Issuer's international lending business are hedged by currency swaps.

### *Current Strategy*

After focusing on the restructuring of its business in 2003 and 2004, the Issuer resumed new business in 2005. The volume of new business gained was about 2.8 billion and thus exceeding its original target for new business. In the course of 2005 branches were opened in Berlin, Hamburg and Düsseldorf. Overall, the Issuer underlined its regained role as a major player on the German real estate financing market.

### *Employees*

As at 31 December 2005, the Issuer had an annual average of 555 employees (including full-time, part-time employees and trainees). Wages and salaries amounted to Euro 43.8 million as at 31 December 2005.

### **Principal Markets**

The Issuer focuses on commercial real estate financing business in Germany. Approximately 93 per cent. of the real estate portfolio is concentrated on financing of German properties. The remaining seven per cent. are distributed to Netherlands, France and the United Kingdom.

#### **4. ORGANISATIONAL STRUCTURE**

##### **Hypo Real Estate Group**

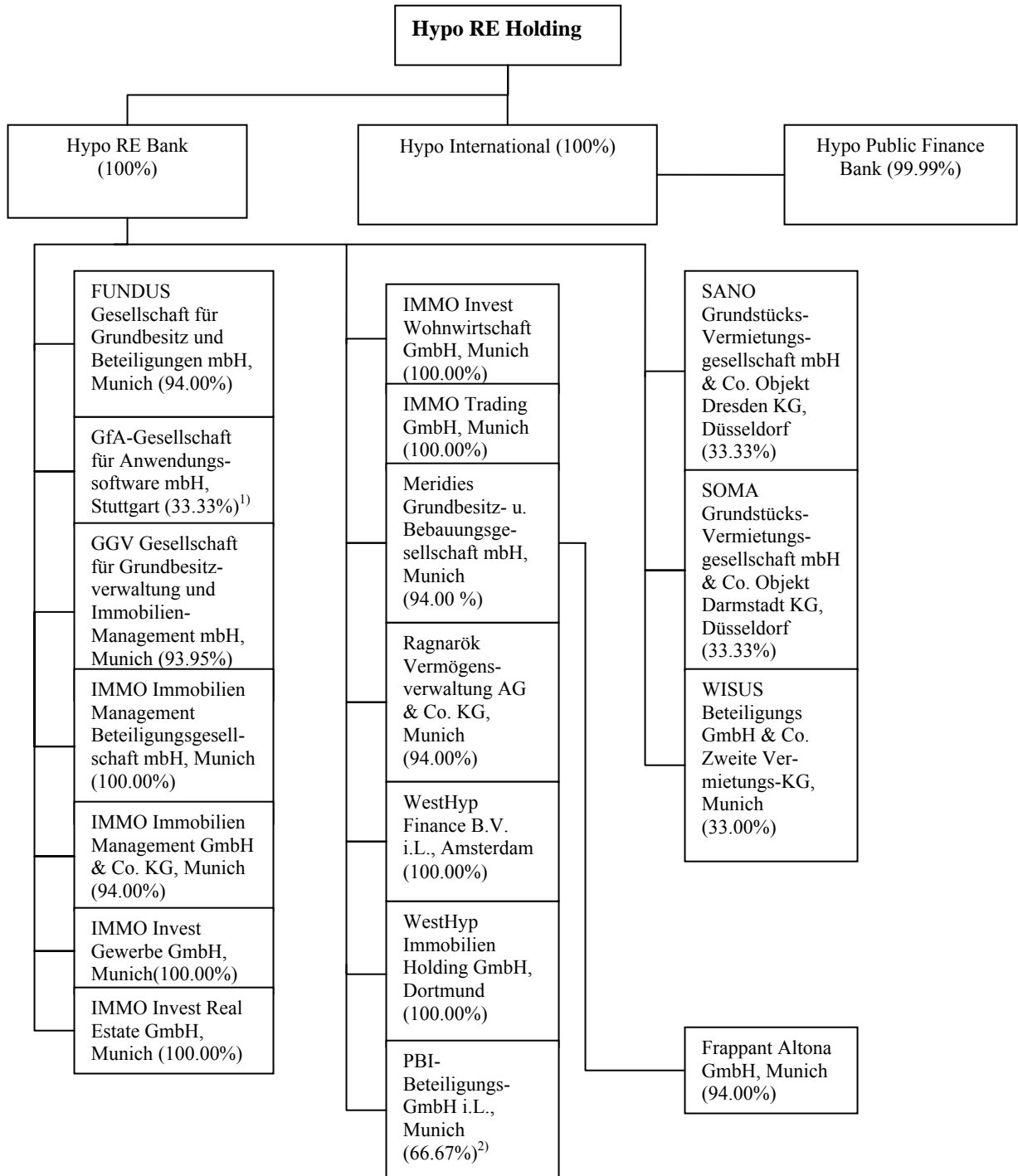
The Issuer is part of Hypo RE Group which was formed in the course of the spin-off of a major part of the commercial real estate financing business of Bayerische Hypo- und Vereinsbank AG (“HVB AG”) and its consolidated subsidiaries (“HVB Group”). On 30 September 2003, the legal name of the Issuer was changed from HVB Real Estate Bank AG to Hypo Real Estate Bank AG. On 3 November 2003, Westfälische Hypothekenbank AG (“WestHyp”), a former subsidiary of the Issuer, was merged into the Issuer. The merger became effective retroactively as of 1 January 2003.

Hypo RE Group consists of the parent holding company, Hypo Real Estate Holding AG (“Hypo RE Holding”) with its registered office in Munich, which is a financial holding company and is listed on the Frankfurt Stock Exchange, and two operating subsidiaries, i.e., the Issuer and Hypo Real Estate Bank International Aktiengesellschaft (“Hypo International”), formerly Württembergische Hypothekenbank, with its registered office in Stuttgart. After the restructuring of Hypo RE Group, the international business is combined in Hypo International which focuses on structured and real estate financing products for commercial real estate customers, capital market products including securitisations and syndication together with placing of individual investments and parts of portfolios. Hypo Public Finance Bank, formerly Hypo Real Estate Bank International, with its registered office in Dublin is now a subsidiary of Hypo International.

Hypo RE Holding is the sole shareholder of the Issuer.

Following to risk-shelter provided by HVB in the spin-off, the Issuer will be obligated to pay to HVB AG 35 per cent. of any income arising from the release of specific loan loss provisions in fiscal years 2005 through 2009, provided that such payments may not exceed the amount of indemnification actually paid by HVB AG.

As at the date of this Debt Issuance Program Prospectus, the legal structure of Hypo RE Group (which comprises Hypo RE Holding together with its direct and indirect consolidated subsidiaries, affiliates and associated companies) is as follows (see also under “Subsidiaries and Equity Interests”):



<sup>1)</sup> Additional 33.33 per cent. owned by Hypo International.

<sup>2)</sup> Remaining shares: 16.67 per cent. owned by Hypo RE Holding and 16.67 per cent. owned by Hypo International.

### Dependency of the Issuer within the Group

Hypo RE Holding holds 100 per cent. of the shares in the Issuer. In accordance with Section 17 para. 2 of the German Stock Corporation Law (*Aktiengesetz*), it is assumed that a majority-owned enterprise is dependent on the company holding the majority interest.

### Subsidiaries and Equity Interests

The following is a list of the Issuer's subsidiaries and equity participations in other companies, as of 31 December 2005, specifying the name of the subsidiary or other company, the Issuer's equity interest, the equity capital and the net income of the subsidiary or other company.

### Shares in affiliated companies

<i>Name and registered office</i>	<i>Total capital share in %</i>		<i>Equity capital</i> € thousands	<i>Net income</i> € thousands	<i>Last available annual financial statements</i>
	<i>§ 16 para. 4 AktG</i>	<i>thereof indirect</i>			
FUNDUS Gesellschaft für Grundbesitz und Beteiligungen mbH, Munich	94.00%		904	-320 <sup>1)</sup>	31/12/2005
GfA-Gesellschaft für Anwendungssoftware mbH, Stuttgart	33.33%		1,703	962	31/12/2004
GGV Gesellschaft für Grundbesitzverwaltung und Immobilien-Management mbH, Munich	93.95%		2,072	-339 <sup>1)</sup>	31/12/2005
IMMO Immobilien Management Beteiligungsgesellschaft mbH, Munich	100.00%		30	-1	31/12/2005
IMMO Immobilien Management GmbH & Co. KG, Munich	94.00%		-1,197	-13,948	31/12/2005
IMMO Invest Gewerbe GmbH, Munich	100.00%		26	0 <sup>1)</sup>	31/12/2005
IMMO Invest Real Estate GmbH, Munich	100.00%		28	0 <sup>1)</sup>	31/12/2005
IMMO Invest Wohnwirtschaft GmbH, Munich	100.00%		23	0 <sup>1)</sup>	31/12/2005
IMMO Trading GmbH, Munich	100.00%		525	-159 <sup>1)</sup>	31/12/2005
Meridies Grundbesitz- und Bebauungsgesellschaft mbH, Munich with the following participating interest:	94.00%		78	-962 <sup>1)</sup>	31/12/2005
Frappant Altona GmbH, Munich	94.00%	94,00%	25	-588 <sup>1)</sup>	31/12/2005
PBI-Beteiligungs-GmbH i.L., Munich	66.67%		51,529	65	31/12/2004
Ragnarök Vermögensverwaltung AG & Co. KG, Munich	94.00%			<sup>2)</sup>	31/12/2005
WestHyp Finance B.V., Amsterdam	100.00%		681	-65	31/12/2003 <sup>3)</sup>
WestHyp Immobilien Holding GmbH, Dortmund	100.00%		894	270	31/12/2004

## Other participating interests

<i>Name and registered office</i>	<i>Total capital share in %</i>		<i>Equity capital</i>	<i>Net income</i>	<i>Last available annual financial statements</i>
	<i>§ 16 para. 4 AktG</i>	<i>thereof indirect</i>	<i>€ thousands</i>	<i>€ thousands</i>	
SANO Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Dresden KG, Düsseldorf	33.33%		-3,555	-456	31/12/2004
SOMA Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Darmstadt KG, Düsseldorf	33.33%		-5,480	-677	31/12/2004
WISUS Beteiligungs GmbH & Co. Zweite Vermietungs-KG, Munich	33.00%		-3,381	-190	31/12/2004

All other participating interests amount to less than 20 per cent..

There are no additional participating interests in large public limited companies where the participating interest exceeds 5 per cent. of the voting rights (declaration pursuant to § 340a para. 4 No. 2 of the German Commercial Code, HGB).

1) Assumption of result by shareholders due to profit transfer agreement

(In addition to the company's own loss, the result for the year of Meridies Grundbesitz- und Bebauungsgesellschaft mbH, Munich also includes the loss of Frappant Altona GmbH, Munich in an amount of Euro -588 thousand)

2) General partner's liability

3) Company is being liquidated

## 5. TREND INFORMATION

There has been no material adverse change in the prospects of the Issuer since the date of its published audited financial statements for the year ended 31 December 2005.

## 6. ADMINISTRATIVE, MANAGEMENT, AND SUPERVISORY BODIES

The corporate bodies of the Issuer are:

- (i) the Management Board (Vorstand);
- (ii) the Supervisory Board (Aufsichtsrat); and
- (iii) the General Meeting of Shareholders.

### The Management Board

In accordance with the Articles of Association, The Management Board consists of two or more members. The Supervisory Board determines the number of the members of the Management Board and appoints the members of the Management Board. The Management Board represents the Issuer and is responsible for its management.

As at the date of this Debt Issuance Program Prospectus, members of the Management Board are

<u>Name and Position</u>	<u>Other Mandates <sup>*)</sup></u>
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<b>Frank Lamby</b> Spokesman of the Management Board	/
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**Manuela Better**  
Member of the Management Board /

**Reinhold Güntner**  
Member of the Management Board /

**Frank Hellwig**  
Member of the Management Board Gesellschaft für Anwendungssoftware mbH, Stuttgart

\* Mandates - Membership of other Supervisory Boards and comparable boards with a supervisory function in Germany and abroad.

The business address of the Management Board of the Issuer is Von-der-Tann-Strasse 2, D-80539 Munich.

### **The Supervisory Board**

In accordance with the Articles of Association, the Supervisory Board consists of six members, of whom 4 are elected by the General Meeting of Shareholders and 2 are elected by the employees in accordance with the German Third-Participation Act (*Drittelbeteiligungsgesetz*).

As at the date of this Debt Issuance Program Prospectus, members of the Supervisory Board are:

<b>Name and Position</b>	<b>Other Mandates <sup>*)</sup></b>
<b>Georg Funke</b> Chairman	Chairman of the Management Board of Hypo Real Estate Holding AG Chairman of the Supervisory Board of Hypo Real Estate Bank International AG
<b>Dr. Paul Eisele</b> Deputy Chairman	Member of the Management Board of Hypo Real Estate Holding AG Management Board Spokesman of Hypo Real Estate Bank International AG Chairman of the Board of Hypo Public Finance Bank puc, Dublin
<b>Helmut Aichberger**)</b> Bank employee	/
<b>Stephan Bub</b>	Member of the Management Board of Hypo Real Estate Holding AG Chief Executive Officer of Hypo Public Finance Bank puc, Dublin Chairman of the Administrative Board of Collineo Asset Management GmbH, Dortmund (since 11.01.2005) Chairman of the Administrative Board of Hypo Pfandbrief Bank International S.A., Luxemburg (since 24.10.2005, formerly member of the Administrative



Board)  
Chairman of the Board of Hypo Capital Markets, Inc.,  
New York/USA  
Chairman of the Board of HI Asset Management, Inc.,  
New York / USA, after change of name: Hypo Public  
Finance USA, Inc.  
Deputy Chairman of the Supervisory Board of HARDT  
GROUP Investments AG, Vienna / Austria (since  
24.05.2005)

**Dr. Markus Fell**

Member of the Management Board of Hypo Real Estate  
Holding AG  
Non-Executive Member of the Board of Hypo Public  
Finance Bank puc., Dublin (since 01.10.2005)  
Director of Hypo Real Estate Capital Ltd., London /  
Great Britain  
Director of Hypo Real Estate Capital Japan Corp.,  
Tokyo / Japan (since 15.02.2005)

**Georg Kordick\*\*)**

Bank employee

/

\*) Mandates - Membership of other Supervisory Boards and comparable boards with a supervisory function in Germany and abroad.

\*\*\*) Employee representative according to Third-Participation Act (Drittelbeteiligungsgesetz).

The business address of the Supervisory Board of the Issuer is Von-der-Tann-Strasse 2, D-80539 Munich.

**The General Meeting of Shareholders**

The General Meeting of Shareholders, which is called by the Management Board or, as provided by law, by the Supervisory Board or by the sole shareholder, is held at the registered office of the Issuer or at the seat of a stock exchange within the territory of the Federal Republic of Germany. An ordinary shareholder meeting takes place within the first eight months of every financial year of the Issuer. The voting right of each common bearer share gives entitlement to one vote.

**Conflicts of Interest**

The issuer is not aware of any potential conflicts of interests with respect to administrative, management and supervisory bodies.

**7. MAJOR SHAREHOLDERS**

The Issuer is totally-owned (100 per cent.) by Hypo RE Holding.

**8. HISTORICAL FINANCIAL INFORMATION**

**Historical Financial Information**

The Issuers Annual Reports for the years ended 31 December 2005 and 31 December 2004 including the financial statements and the auditor's report thereon have been deposited with the *Commission de Surveillance du Secteur Financier* ("CSSF") in Luxembourg and have been incorporated by reference in this Debt Issuance Program Prospectus.

The financial information, set out in this Debt Issuance Program Prospectus gives, when read in conjunction with the financial statements incorporated herein, a true and fair view of the financial position of the Issuer in conformity with applicable accounting policies. The financial statements of the Issuer have been prepared on the basis of the German generally accepted accounting principles (“German GAAP”).

The summary financial information relating to the Issuer set out in this Debt Issuance Program Prospectus for each of the two years ended 31 December 2004 and 31 December 2005, does not constitute the full statutory accounts prepared by the Issuer as required by German law, but has been extracted (except for the cash flow statements) without material adjustment from the audited financial statements of the Issuer for those years.

## ANNUAL BALANCE SHEET AT 31 DECEMBER 2005 AND 31 DECEMBER 2004

The following table shows the balance sheet of the Issuer for the financial years ended 31 December 2005 and 31 December 2004, respectively.

Assets	Balance Sheet as at 31 December 2005			
	T€	T€	31 Dec. 2005 T€	31 Dec. 2004 T€
<b>1. Cash reserve</b>				
a) Cash on hand		10		11
b) Balances with central banks		<u>55,387</u>		<u>200,718</u>
thereof:			<b>55,397</b>	<u>200,729</u>
with the Bundesbank:				
T€55,387 (prior year: T€200,718)				
<b>2. Loans and advances to other banks</b>				
a) Repayable on demand		695,928		306,820
b) Other loans and advances		<u>13,742,493</u>		<u>16,202,623</u>
thereof:			<b>14,438,421</b>	<u>16,509,443</u>
mortgage loans T€122,078 (prior year: T€127,970)				
municipal loans T€9,216,915 (prior year: T€12,315,737)				
<b>3. Loans and advances to customers</b>			<b>43,929,578</b>	49,187,420
thereof:				
mortgage loans T€28,230,183 (prior year: T€30,243,506)				
municipal loans T€14,924,360 (prior year: T€18,298,300)				
<b>4. Bonds and other fixed-income securities</b>				
a) Money market instruments issued by				
aa) public sector issuers	-			-
thereof:				
eligible for Bundesbank borrowings T€- (prior year: T€-)				
ab) other issuers	<u>-</u>			<u>-</u>
thereof:				
eligible for Bundesbank borrowings: T€- (prior year: T€-)				
b) Bonds and notes issued by				
ba) public sector issuers	7,530,713			8,096,253
thereof:				
eligible for Bundesbank borrowings				
T€5,086,932 (prior year: T€5,452,295)				
bb) other issuers	<u>8,052,559</u>			<u>9,715,257</u>
thereof:				
eligible for Bundesbank borrowings		15,583,272		<u>17,811,510</u>
T€3,024,837 (prior year: T€4,368,672)				
c) Own bonds		<u>237,084</u>		<u>542,091</u>
Nominal value T€233,102 (prior year: T€528,307)			<b>15,820,356</b>	<u>18,353,601</u>
<b>5. Equities and other variable-yield securities</b>			-	4,028
<b>6. Participating interests</b>			<b>2,303</b>	3,235
thereof:				
other banks T€- (prior year: T€-)				
financial services institutions T€- (prior year: T€-)				
<b>7. Shares in affiliated companies</b>			<b>39,020</b>	38,240
thereof:				
other banks T€- (prior year: T€-)				
financial services institutions T€- (prior year: T€-)				
<b>8. Special assets</b>			<b>152,676</b>	596,512
thereof:				
loans in transit T€152,676 (prior year: T€596,512)				
<b>9. Recovery claims against the public-sector, and bonds from their exchange</b>			-	5,390
<b>10. Intangible assets</b>			<b>7,955</b>	-
<b>11. Tangible assets</b>			<b>4,009</b>	17,029
<b>12. Sundry assets</b>			<b>322,668</b>	196,564
<b>13. Deferred charges and prepaid expenses</b>				
a) from issues and loans		139,065		187,758
b) other		<u>60,017</u>		<u>73,554</u>
			<b>199,082</b>	<u>261,312</u>
<b>Total assets</b>			<b>74,971,465</b>	<b>85,373,503</b>

**Equity and liabilities**

			31 Dec. 2005	31 Dec. 2004
	T€	T€	T€	T€
<b>1. Accounts due to other banks</b>				
a) Repayable on demand		17,948		141,072
b) Fixed term or withdrawal notice		<u>15,490,433</u>		<u>12,673,872</u>
thereof:			<b>15,508,381</b>	12,814,944
registered mortgage pfandbrief bonds issued T€2,403,071 (prior year: T€3,325,746)				
registered public-sector pfandbrief bonds issued T€1,184,663 (prior year: T€1,414,655)				
registered mortgage pfandbrief bonds delivered to lender as collateral for loans T€10,486 (prior year: T€14,741)				
registered public-sector pfandbrief bonds delivered to lender as collateral for loans T€16,017 (prior year: T€36,253)				
<b>2. Accounts due to customers</b>				
a) Savings deposits				
aa) Withdrawal notice of three months	-			-
ab) Withdrawal notice of more than three months	-	-		-
b) Other liabilities				
ba) Repayable on demand	478,044			163,252
bb) Fixed term or withdrawal notice	<u>18,214,034</u>	<u>18,692,078</u>		<u>20,205,881</u>
thereof:			<b>18,692,078</b>	20,369,133
registered mortgage pfandbrief bonds issued T€6,907,267 (prior year: T€8,093,227)				
registered public-sector pfandbrief bonds issued T€5,226,239 (prior year: T€5,657,331)				
registered mortgage pfandbrief bonds delivered to lender as collateral for loans T€26,137 (prior year: T€51,245)				
registered public-sector pfandbrief bonds delivered to lender as collateral for loans T€63,724 (prior year: T€101,725)				
<b>3. Debts evidenced by certificates</b>				
a) Bonds issued				
aa) mortgage pfandbrief bonds	11,418,932			12,835,452
ab) public-sector pfandbrief bonds	22,589,269			30,282,450
ac) other bonds	<u>2,817,020</u>			<u>4,327,922</u>
		36,825,221		47,445,824
b) Other		<u>143,906</u>		<u>257,417</u>
thereof:			<b>36,969,127</b>	47,703,241
money market instruments T€143,906 (prior year: T€257,417)				
own acceptances and promissory notes outstanding T€-(prior year: T€-)				
<b>4. Special liabilities</b>			<b>152,676</b>	596,512
thereof: borrowings in transit T€152,676 (prior year: T€596,512)				
<b>5. Sundry liabilities</b>			<b>197,873</b>	83,498
<b>6. Deferred income</b>				
a) from issues and loans		151,048		186,312
b) other		<u>58,088</u>		<u>80,351</u>
			<b>209,136</b>	266,663
<b>7. Provisions</b>				
a) for pensions and similar commitments		90,032		89,843
b) for taxes		12,922		30,986
c) other		<u>74,797</u>		<u>86,780</u>
			<b>177,751</b>	207,609
<b>8. Subordinated liabilities</b>			<b>696,576</b>	880,486
<b>9. Participatory capital</b>			<b>260,244</b>	395,736
thereof:				
maturing in less than 2 years T€7,669 (prior year: T€135,492)				
<b>10. Fund for general banking risks</b>			<b>6,154</b>	6,154

	T€	T€	31 Dec. 2005 T€	31 Dec. 2004 T€
<b>11. Equity</b>				
a) Capital stock		132,860		132,860
b) Additional paid-in capital		1,441,742		1,653,742
c) Retained earnings				
ca) Legal reserve	12,655			12,655
cb) Reserve for treasury stock	–			–
cc) Statutory reserve	–			–
cd) other	<u>248,334</u>			<u>248,334</u>
		260,989		260,989
d) Unappropriated retained earnings		<u>265,878</u>		<u>1,936</u>
			<b>2,101,469</b>	<b>2,049,527</b>
<b>Total equity and liabilities</b>			<b>74,971,465</b>	<b>85,373,503</b>
<b>1. Contingent liabilities</b>				
a) from bills endorsed and discounted		–		–
b) from guarantees and indemnity agreements		106,132		75,763
c) from collateralisation of third-party liabilities		<u>–</u>		<u>–</u>
			<b>106,132</b>	<b>75,763</b>
<b>2. Other commitments</b>				
a) Repurchase agreements from retail repos		–		–
b) Placing and underwriting commitments		–		–
c) Irrevocable loan commitments		<u>874,983</u>		<u>263,177</u>
			<b>874,983</b>	<b>263,177</b>

**PROFIT AND LOSS ACCOUNT FOR THE PERIOD FROM 1 JANUARY TO 31 DECEMBER  
2005 AND 31 DECEMBER 2004**

The following table shows the profit and loss account of the issuer for the financial years ended 31 December 2005 and 31 December 2004, respectively.

**INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2005, in €thousands**

<b>Expenses</b>	<i>2005</i>	<i>2004</i>
1. Interest expenses	3,686,317	4,343,111
2. Commission expense	20,569	29,135
3. General administrative expenses		
a) Personnel expenses		
aa) Wages and salaries	43,760	49,652
ab) Social security taxes, pension expenses and related employee benefits	13,833	16,931
	57,593	66,583
thereof:		
pension expense: T€7,119 (prior year: T€8,428)		
b) other	41,728	51,319
	99,321	117,902
4. Amortisation, depreciation and write-downs on intangible and tangible assets	6,520	6,365
5. Other operating expenses	9,842	17,773
6. Write-downs of and allowances for receivables and specific securities, as well as additions to loan-loss provisions	107,038	220,451
7. Amortisation, depreciation and write-downs on participating interests, shares in affiliated companies and investment securities	13,102	28,309
8. Expenses relating to the assumption of losses	4,358	8,220
9. Extraordinary expenses	9,575	21,507
10. Taxes on income	-2,794	0
11. Other taxes, unless shown under Item 5	51	11
12. Net income	51,942	1
<b>Total expenses</b>	<b>4,005,841</b>	<b>4,792,785</b>
1. Net income	51,942	1
2. Profit brought forward	1,936	1,935
3. Withdrawals from the capital reserve	212,000	200,000
4. Expenses from the calling in of treasury stock	0	200,000
<b>5. Unappropriated retained earnings</b>	<b>265,878</b>	<b>1,936</b>
<b>Income</b>	<i>2005</i>	<i>2004</i>
1. Interest income from		

a) Lending and money-market business	3,122,133		3,802,605
b) Fixed-income and book-entry securities	<u>813,893</u>		<u>950,718</u>
		3,936,026	4,753,323
2. Current income from			
a) Equities and other variable-yield securities	377		52
b) Participating interests	15		10
c) Shares in affiliated companies	<u>300</u>		<u>6,204</u>
		692	6,266
3. Commission income		9,922	7,536
4. Income from withdrawals from the fund for general banking risks pursuant to § 340 g HGB German Commercial Code		0	11,846
5. Income from write-ups on participating interests, shares in affiliated companies and investment securities		18,080	6,941
6. Other operating income		19,046	6,873
7. Extraordinary income		22,075	0
<b>Total income</b>		<u><b>4,005,841</b></u>	<u><b>4,792,785</b></u>

## CASH FLOW STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2005 AND 31 DECEMBER 2004

The following table shows the cash flow statements of the Issuer for the financial years ended 31 December 2005 and 31 December 2004, respectively.

<b>Cash Flow Statement 2005 and 2004</b>	<i>2005</i> <i>TEUR</i>	<i>2004</i> <i>TEUR</i>
<b>1. Net income/loss</b>	<b>49,148</b>	<b>11</b>
Non-cash items included in net result and reconciliation with cash flows from operating activities		
2. Write-downs and depreciation less write-ups on loans and advances and long term assets	210,453	344,576
3. Increase/decrease of accruals and provisions	32,132	54,492
4. Change in other non-cash positions	24,556	6,858
5. Result from the sale of investments, property, plant and equipment	-17,164	-6,751
6. Other adjustments	-340,032	-570,372
<b>7. Subtotal</b>	<b>-40,907</b>	<b>-171,186</b>
Change in assets and liabilities from operating activities after correction for non-cash components		
8. Placements with, and loans and advances to other banks	1,989,348	4,108,222
9. Loans and advances to customers	4,964,901	10,450,030
10. Securities (except those treated as financial investments)	1,447,569	1,984,336
11. Other assets from operating activities	357,091	714,332
12. Deposits from other banks	2,716,077	-5,879,447
13. Amounts owed to other depositors	-1,599,537	-1,459,335
14. Liabilities evidenced by securities	-10,594,350	-11,623,489
15. Other liabilities from operating activities	-429,605	-748,293
16. Interest and dividends received	4,217,423	5,060,082
17. Interest paid	-3,884,209	-4,497,902
18. Commission received	9,921	7,536
19. Commission paid	-20,569	-29,136
20. Taxes on income paid	-7,571	15,165
<b>21. Cash flow from operating activities</b>	<b>-874,418</b>	<b>-2,069,085</b>
22. Proceeds from the sale of investments	1,053,110	2,086,807
23. Proceeds from the sale of property, plant and equipment	383	921
24. Payments for the sale of investments	0	0
25. Payments for the sale of property, plant and equipment	-751	-4,897
26. Effects of other investment activities	-4,254	0
<b>27. Cash flow from investing activities</b>	<b>1,048,488</b>	<b>2,082,831</b>
28. Proceeds/payments from/for capital increases/decreases	0	-200,000
29. Dividend distribution	0	0
30. Subordinated capital, net	-319,402	-7,400
<b>31. Cash flow from financing activities</b>	<b>-319,402</b>	<b>-207,400</b>
<b>32. Cash and cash equivalents at the end of the previous period</b>	<b>200,729</b>	<b>394,383</b>
21. Net cash provided/used by operating activities	-874,418	-2,069,085
27. Net cash provided/used by investing activities	1,048,488	2,082,831
31. Net cash provided/used by financing activities	-319,402	-207,400
33. Effects of exchange rate changes and non-cash valuation changes	0	0
<b>34. Cash and cash equivalents at the end of the period</b>	<b>55,397</b>	<b>200,729</b>



## **Auditing of Historical Financial Information**

The auditors of the Issuer have made reports in respect of each set of statutory accounts for the two financial years ended 31 December 2005 and 31 December 2004 and each such report was an unqualified report (*uneingeschränkter Bestätigungsvermerk*).

As regards the cash flow statements for the year from 1 January 2005 to 31 December 2005, Bayerische Treuhandgesellschaft AG issued on 28 April 2006 the following auditor's report to the Issuer:

### **“Auditor’s Report**

To Hypo Real Estate Bank Aktiengesellschaft, München

We have audited the cash flow statement derived by the Company for the business year 2005 from the financial statements for the business year 2005 and from the underlying accounting records. The cash flow statement supplements the annual financial statements of the Company for the business year 2005 prepared on the basis of the German generally accepted accounting principles.

The preparation of the cash flow statement for the business year 2005 is the responsibility of the Company's management.

Our responsibility is to express an opinion based on our audit, whether the cash flow statement for the business year 2005 has been properly derived from the financial statements for the business year 2005 and the underlying accounting records in accordance with German generally accepted accounting principles. The audit of the underlying annual financial statements and the underlying accounting records is not subject of this engagement.

We planned and performed our audit in accordance with the IDW Prüfungshinweis: Prüfung von zusätzlichen Abschlusselementen (IDW PH 9.960.2) [IDW Auditing Practice Statement: Audit of Additional Elements (IDW AuPS 9.950.1)] promulgated by the Institut der Wirtschaftsprüfer in Deutschland e.V. (IDW) such that material misstatements in the derivation of the cash flow statement from the underlying financial statements and from the underlying accounting records are detected with reasonable assurance.

In our opinion based on the findings of our audit the cash flow statement for the business year 2005 has been properly derived from the financial statements and from the underlying accounting records for the business year 2005 in accordance with German generally accepted accounting principles.

München, April 28, 2006

Bayerische Treuhandgesellschaft  
Aktiengesellschaft  
Wirtschaftsprüfungsgesellschaft  
Steuerberatungsgesellschaft

Paskert  
Wirtschaftsprüfer

Peter  
Wirtschaftsprüfer”

As regards the cash flow statements for the year from 1 January 2004 to 31 December 2004, Bayerische Treuhandgesellschaft AG issued on 28 April 2006 the following auditor's report to the Issuer:

**“Auditor’s Report**

To Hypo Real Estate Bank Aktiengesellschaft, München

We have audited the cash flow statement derived by the Company for the business year 2004 from the financial statements for the business year 2004 and from the underlying accounting records. The cash flow statement supplements the annual financial statements of the Company for the business year 2004 prepared on the basis of the German generally accepted accounting principles.

The preparation of the cash flow statement for the business year 2004 is the responsibility of the Company's management.

Our responsibility is to express an opinion based on our audit, whether the cash flow statement for the business year 2004 has been properly derived from the financial statements for the business year 2004 and the underlying accounting records in accordance with German generally accepted accounting principles. The audit of the underlying annual financial statements and the underlying accounting records is not subject of this engagement.

We planned and performed our audit in accordance with the IDW Prüfungshinweis: Prüfung von zusätzlichen Abschlusselementen (IDW PH 9.960.2) [IDW Auditing Practice Statement: Audit of Additional Elements (IDW AuPS 9.950.1)] promulgated by the Institut der Wirtschaftsprüfer in Deutschland e.V. (IDW) such that material misstatements in the derivation of the cash flow statement from the underlying financial statements and from the underlying accounting records are detected with reasonable assurance.

In our opinion based on the findings of our audit the cash flow statement for the business year 2004 has been properly derived from the financial statements and from the underlying accounting records for the business year 2004 in accordance with German generally accepted accounting principles.

München, April 28, 2006

Bayerische Treuhandgesellschaft  
Aktiengesellschaft  
Wirtschaftsprüfungsgesellschaft  
Steuerberatungsgesellschaft

Paskert	Peter
Wirtschaftsprüfer	Wirtschaftsprüfer”

Bayerische Treuhandgesellschaft AG has not performed any audit or review procedures on any financial statements of the Issuer as of any date or for any period subsequent to 31 December 2005.

**Interim and other Financial Information**

The Issuer has not published interim financial information since the date of its last audited financial statements. Investors should notice that Hypo RE Holding publishes interim financial information including

information about the Issuer. This information is available on the website of Hypo RE Holding ([www.hyporealestate.com](http://www.hyporealestate.com)).

### **Legal and Arbitration Proceedings**

The Issuer is not involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened), during a period covering the previous 12 months which may have, or have had in the recent past, significant effects on the Issuer's financial position or profitability.

### **Significant change in Issuer's Financial Position**

Save as disclosed in this Prospectus there has been no significant change in the issuer's financial position since the date of the last audited financial statements of the issuer up to the date of this Debt Issuance Program Prospectus.

## **9. MATERIAL CONTRACTS**

The Issuer entered into the Transfer Agreement with Hypo International dated 16 December 2005 (for details see under V.2 in the Debt Issuance Program Prospectus).

## **VI. TERMS AND CONDITIONS (BEARER NOTES)**

*The following are the Terms and Conditions (Bearer Notes) (the “Terms and Conditions”) which (subject to completion and amendment and together with any documents herein incorporated by reference or required to be attached hereto) will be physically attached to each Global Note (as defined below) and endorsed upon each Definitive Note (as defined below) (if any), in each case other than a Note denominated in Euro and to be deposited with Clearstream, Frankfurt. In relation to any Series (as defined below) of Notes (as defined below), the Terms and Conditions are supplemented and amended by the applicable Final Terms (as defined below). The Final Terms in relation to any Series of Notes may specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with such Terms and Conditions, replace or modify such Terms and Conditions for the purpose of such Series of Notes. In lieu of modifying the Terms and Conditions by a Final Terms, any Series of Notes in bearer form may be issued on alternative terms and conditions which will be physically attached to each Global Note and endorsed upon each Definitive Note (if any). Capitalized terms used in the Terms and Conditions but not defined herein shall, in relation to any Series of Notes, have the meaning specified opposite such term in the applicable Final Terms. The Final Terms in relation to any Series of Notes will be physically attached to each Global Note and an excerpt from the Final Terms specifying the principal terms of the Notes will be endorsed upon each Definitive Note.*

This Note is one of a Series of notes in bearer form (each a “Note” and together the “Notes”) which may be represented by one or more global notes (each a “Global Note”) (which expression shall mean any temporary global note (“Temporary Global Note”), any permanent global note (“Permanent Global Note”) or any collective global note (“Collective Global Note”)) or definitive notes (“Definitive Notes”). The expression “Note” shall mean (i) in relation to any Notes represented by a Global Note, units of the lowest Specified Denomination in the Specified Currency and (ii) Definitive Notes, issued in exchange for a Temporary Global Note and subject to an amended and restated Issuing and Paying Agency Agreement dated 30 August 2005 (the “Agency Agreement”), as amended and/or supplemented from time to time, between Hypo Real Estate Bank Aktiengesellschaft (“Hypo Real Estate”) (acting through its head office or one of its foreign branches, if any) as issuer (the “Issuer”) and Citibank, N.A., London office, as issuing agent, principal paying agent and registrar (where applicable) (the “Issuing Agent” and “Principal Paying Agent”, which expression shall include any successor agent) and Banque Générale du Luxembourg S.A. (together with the Principal Paying Agent, the “Paying Agents”, which expression shall include any additional or successor paying agents). The Issuing Agent shall also act as calculation agent (the “Calculation Agent”, which expression shall include any successor agent) (if any) unless otherwise specified in the Final Terms. Any reference herein to “Notes” shall include (unless the context otherwise requires) Coupons (as defined below) and Talons (as defined below), if any, attached to Definitive Notes.

The Notes may be subject to (i) U.S. Treasury Regulation § 1.163-5(c)(2)(i)(c) (“TEFRA C Rules”) (“TEFRA C Notes”), (ii) U.S. Treasury Regulation § 1.163-5(c)(2)(i)(D) (“TEFRA D Rules”) (“TEFRA D Notes”) or (iii) neither the TEFRA C Rules nor the TEFRA D Rules, in each case as specified in the Final Terms.

Interest bearing Definitive Notes and interest bearing Collective Global Notes (unless otherwise specified in the Final Terms) have attached on issue interest coupons (“Coupons”, which expression shall, in the case of Collective Global Notes, include interest coupons in global form (“Collective Interest Coupons”)) and, if specified in the Final Terms, talons for further Coupons (“Talons”). Any reference herein to Coupons shall, unless the context otherwise requires, be deemed to include a reference to Talons.

As used herein, the term “Noteholder”, “Couponholder” and/or “Talonholder” means, in the case of Notes, Coupons and/or Talons deposited with any Clearing System (as specified in the Final Terms) or other central securities depository, any holder of a proportionate co-ownership or other beneficial interest or right in such Notes, Coupons and/or Talons, and not deposited with any Clearing System or other central securities depository, in the case of Definitive Notes, the bearer of a Note, Coupon and/or Talon. The expression Couponholder shall, unless the context otherwise requires, include the holders of the Talons.

As used herein, the term “Final Terms” means the Final Terms attached to the Temporary Global Note, the

Permanent Global Note and one or more Collective Global Notes (if any) and, in respect of Definitive Notes, the Final Terms, an excerpt of which specifying the principal terms of the Notes is endorsed on such Notes. Should the Final Terms specify other terms and conditions inconsistent with these Terms and Conditions, the former shall replace or modify the latter to the extent specified in the Final Terms. The Terms and Conditions as supplemented, amended, replaced or modified by the Final Terms are hereinafter referred to as the “Conditions”

As used herein, “Series” means each initial issue of Notes together with any further issues expressed to form a single series with the initial issue which are denominated in the same currency and which are identical in all respects (including whether or not the Notes are listed) (except for the Issue Date, the Interest Commencement Date (if different from the Issue Date) and/or the Issue Price (as specified in the Final Terms)). As used herein, “Tranche” means all Notes of the same Series with the same Issue Date and Interest Commencement Date (if different from the Issue Date).

Copies of the Agency Agreement (which contains the form of Final Terms (Bearer Notes)) and the Final Terms applicable to each Series of Notes are available at the specified offices of the Issuing Agent and the other Paying Agents.

## **1. Form**

The Notes are in bearer form, in the aggregate principal amount specified in the Final Terms denominated in the Specified Currency and the Specified Denomination(s) and, in the case of Definitive Notes, serially numbered.

This Note is a Fixed Rate Note, a Floating Rate Note, a Zero Coupon Note, an Index-Linked Note or a Dual Currency Note or a combination of any of the foregoing, depending upon the Interest/Payment Basis specified in the Final Terms.

If the Notes are TEFRA C Notes, or neither TEFRA C Notes nor TEFRA D Notes (as specified in the applicable Final Terms), the Notes are from the Issue Date represented by a Permanent Global Note or initially represented by a Temporary Global Note (as specified in the Final Terms). Such Temporary Global Note shall as soon as practicable after the Issue Date, be exchanged (at the cost of the Issuer) (i) for Definitive Notes or (ii) in part for Definitive Notes and in the other part for one or more Collective Global Notes (as specified in the Final Terms), in each case upon presentation of the Temporary Global Note at the offices of the Issuing Agent.

If the Notes are TEFRA D Notes (as specified in the applicable Final Terms), the Notes are initially represented by a Temporary Global Note (as specified in the Final Terms). Such Temporary Global Note shall, on or after the date which is 40 days after the Issue Date and subject to the requirements set forth in the terms of the Temporary Global Note be exchanged (at the cost of the Issuer) (i) for a Permanent Global Note or (ii) for Definitive Notes or (iii) in part for Definitive Notes and in the other part for one or more Collective Global Notes (as specified in the Final Terms), in each case upon presentation of the Temporary Global Note at the offices of the Issuing Agent, but only upon certification as to non-U.S. beneficial ownership as set forth in the terms of the Temporary Global Note.

Each Temporary Global Note, Permanent Global Note, Collective Global Note, Definitive Note and Coupon (if any) bears the signatures of two authorized persons on behalf of the Issuer (which signatures may be facsimile signatures). Each Note shall also bear the handwritten or, in the case of Definitive Notes, facsimile signature of an authorized officer of the Issuing Agent. Each Definitive Note and each Coupon (if any) shall bear the embossed seal of the Issuer or an embossed facsimile thereof.

Any Global Note will be deposited with the Clearing System(s) specified in the Final Terms or another central securities depository. Notes which are represented by a Global Note will be transferable only in accordance with the rules and procedures for the time being of such Clearing System(s) or central securities depository.

## **2. Status of Notes**

If the Notes are Senior Notes, as set forth in the Final Terms, the Notes and Coupons (if any) constitute direct, unconditional, unsecured and unsubordinated obligations of the Issuer and rank at least *pari passu* with the claims of all other unsecured creditors of it other than those claims which are expressly preferred under the law of its jurisdiction of incorporation or, in the case of Notes issued through a branch, the law of the jurisdiction where such branch is established, and other than claims arising from Mortgage Pfandbriefe (*Hypothekendarlehen*) and Public Sector Pfandbriefe (*Öffentliche Pfandbriefe*) issued by the Issuer.

If the Notes are Subordinated Notes, as set forth in the Final Terms, the obligations under the Notes constitute direct, unconditional, unsecured and subordinated obligations of the Issuer ranking *pari passu* among themselves and *pari passu* with all other subordinated obligations of the Issuer. In the event of the dissolution or liquidation of, or insolvency proceedings against the Issuer, such obligations will be subordinated to the claims of all unsubordinated creditors of the Issuer so that in any event no amounts shall be payable under such obligations until the claims of all unsubordinated creditors of the Issuer shall have been satisfied in full. The claims of a Noteholder or Couponholder arising under the Notes may not be set off against any claims of the Issuer. No security of whatever kind is, or shall at any time be, provided by the Issuer or any other person securing rights of the Noteholders or Couponholders arising under the Notes. No subsequent agreement may limit the subordination pursuant to the provisions set out in this Condition 2 or amend the Maturity Date in respect of the Notes to any earlier date or shorten any applicable notice period (*Kündigungsfrist*). If the Notes are redeemed before the Maturity Date otherwise than in the circumstances described in this Condition 2 or in Condition 8(b) or repurchased by the Issuer otherwise than in accordance with the provisions of § 10 subparagraph 5a sentence 6 of the German Banking Act (*Kreditwesengesetz*), then the amounts redeemed or paid must be returned to the Issuer irrespective of any agreement to the contrary unless the amounts paid have been replaced by other regulatory banking capital (*haftendes Eigenkapital*) of at least equal status within the meaning of the German Banking Act, or the Federal Financial Supervisory Authority (*Bundesanstalt für Finanzdienstleistungsaufsicht*) has consented to such redemption or repurchase.

### **3. Interest**

If the Notes are TEFRA D Notes, as specified in the Final Terms, no principal or interest shall be paid on any portion of the Temporary Global Note prior to such portion being exchanged for an interest in a Permanent Global Note or a Definitive Note unless the Noteholder has provided an appropriate certificate as to non-U.S. beneficial ownership in accordance with the terms of the Temporary Global Note.

#### **(a) Interest on Fixed Rate Notes**

- (i) Each Fixed Rate Note bears interest from (and including) the Issue Date or, if different from the Issue Date, the Interest Commencement Date to (but excluding) the Maturity Date specified in the Final Terms at the rate(s) per annum equal to the Rate(s) of Interest so specified payable on the Interest Payment Date(s) in each year and on the Maturity Date so specified if the Maturity Date does not fall on an Interest Payment Date. The first payment of interest will be made on the Interest Payment Date next following the Issue Date or, if different from the Issue Date, the Interest Commencement Date and, if the Interest Payment Date next following the Issue Date or, if different from the Issue Date, the Interest Commencement Date is not the first anniversary of the Issue Date or, if different from the Issue Date, the Interest Commencement Date, will amount to the initial Broken Amount specified in the Final Terms. If the Maturity Date is not an Interest Payment Date, interest from and including the preceding Interest Payment Date (or the Issue Date or, if different from the Issue Date, the Interest Commencement Date, as the case may be) to (but excluding) the Maturity Date will amount to the final Broken Amount specified in the Final Terms.
- (ii) If interest is required to be calculated for a period of other than a full year, such interest shall be calculated on the basis of the Day Count Fraction (as defined below), specified in the applicable Final Terms.

“Day Count Fraction” means, in respect of the calculation of an amount of interest for any period

from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (the “Calculation Period”):

(A) if Actual/Actual (ISMA) is specified in the Final Terms:

- (1) in the case of Notes where the number of days in the relevant Calculation Period is equal to or shorter than the Determination Period during which the Calculation Period ends, the number of days in such Calculation Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates (as specified in the Final Terms) that would occur in one calendar year; or
- (2) in the case of Notes where the Calculation Period is longer than the Determination Period during which the Calculation Period ends, the sum of:
  - (α) the number of days in such Calculation Period falling in the Determination Period in which the Calculation Period begins divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates (as specified in the Final Terms) that would occur in one calendar year, and
  - (β) the number of days in such Calculation Period falling in the next Determination Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year; and

(B) if “30/360” is specified in the Final Terms, the number of days in the relevant Calculation Period (such number of days being calculated on the basis of twelve 30-day months) divided by 360;

“Determination Period” means each period from (and including) a Determination Date to but excluding the next Determination Date (including, where either the Interest Commencement Date or the final Interest Payment Date is not a Determination Date, the period commencing on the first Determination Date prior to, and ending on the first Determination Date falling after, such date).

**(b) Interest on Floating Rate Notes**

*(i) Interest Payment Dates*

Each Floating Rate Note bears interest from (and including) the Issue Date or, if different from the Issue Date, the Interest Commencement Date to (but excluding) the first Interest Payment Date (as defined below) and thereafter from (and including) each Interest Payment Date to (but excluding) the next following Interest Payment Date. Floating Rate Notes cease to bear interest on the Maturity Date. Interest will be payable on each Interest Payment Date. “Interest Payment Date” means (A) if Specified Interest Payment Dates are specified in the Final Terms, each such Specified Interest Payment Date or (B) if Specified Periods are specified in the Final Terms, each date which (except as otherwise specified in these Terms and Conditions or the Final Terms) falls the number of months or other period(s) specified as the Specified Period in the Final Terms after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the Issue Date or, if different from the Issue Date, the Interest Commencement Date. Unless otherwise specified in the Final Terms, if any Interest Payment Date would otherwise fall on a day which is not a Business Day (as defined in Condition 5(c)) and a day (other than a Saturday or a Sunday) on which commercial banks and foreign exchange markets are open for business in the Additional Business Center(s) specified in the Final Terms, the Interest Payment Date shall be determined as set forth below, in accordance with the Business Day Convention specified in the Final Terms.

(A) If Modified Following Business Day Convention is specified in the Final Terms, the Interest Payment Date shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event the payment date shall be the

immediately preceding Business Day.

- (B) If Floating Rate Convention is specified in the Final Terms, the Interest Payment Date shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event (1) the payment date shall be the immediately preceding Business Day and (2) each subsequent Interest Payment Date shall be the last Business Day in the month which falls the number of months or other periods specified in the Final Terms after the preceding applicable payment date.
- (C) If Following Business Day Convention is specified in the Final Terms, the Interest Payment Date shall be postponed to the next day which is a Business Day.
- (D) If Preceding Business Day Convention is specified in the Final Terms, the Interest Payment Date shall be the immediately preceding Business Day.

(ii) *Rate of Interest*

The Rate of Interest payable from time to time in respect of Floating Rate Notes will be determined in the manner specified in the Final Terms.

(iii) *ISDA Determination*

Where so specified in the Final Terms, interest will be payable on such dates and in such amounts as would have been payable by the relevant Issuer if it had entered into an interest rate swap transaction governed by an agreement in the form of the ISDA Master Agreement (an “ISDA Agreement”) published by the International Swaps and Derivatives Association Inc. (“ISDA”) and evidenced by a Confirmation (as defined in the ISDA Agreement) incorporating the 2000 ISDA Definitions (the “ISDA Definitions”), or any amended and supplemented set of ISDA Definitions, published by ISDA and both as physically attached to the Note with the holder of the relevant Note under which:

- (A) the Issuer was the Floating Rate Payer;
- (B) the Issuing Agent was the Calculation Agent;
- (C) the Issue Date or, if different from the Issue Date, the Interest Commencement Date was the Effective Date;
- (D) the aggregate principal amount of the Notes of the Series of which such Note is a part was the Notional Amount;
- (E) the Interest Payment Dates were the Floating Rate Payer Payment Dates; and
- (F) all other terms were as specified in the Final Terms.

When the preceding sentence applies, in respect of each Interest Payment Date:

- (1) the amount of interest determined for such Interest Payment Date will be the Interest Amount for the Specified Period ending on such Interest Payment Date for the purposes of these Terms and Conditions as though determined under subparagraph (vi) below;
- (2) the Rate of Interest for such Specified Period will be the Floating Rate (as defined in the ISDA Definitions) determined by the Calculation Agent in accordance with the preceding sentence; and
- (3) the Calculation Agent will be deemed to have discharged its obligations under subparagraph (vi) below if it has determined the Rate of Interest and Interest Amount payable on such Interest Payment Date in the manner provided in the preceding sentence.

(iv) *Screen Rate Determination*

Where so specified in the Final Terms, the Rate of Interest for each Specified Period will, subject



as provided below, be either:

- (A) the offered quotation; or
- (B) the arithmetic mean (rounded, if necessary, to the nearest one thousandth of a percentage point, with 0.0005 being rounded upwards, if EURIBOR has been specified as Reference Rate in the Final Terms, or, if the specified Reference Rate is not EURIBOR, to the nearest one hundred thousandth of a percentage point, with 0.000005 being rounded upwards) of the offered quotations (expressed as a percentage rate per annum)

for deposits in the Specified Currency for such Specified Period which appears or appear, as the case may be, on the Relevant Screen Page (as specified in the Final Terms) as at 11:00 a.m. (if the Specified Currency is Euro, Brussels time, or, if the Specified Currency is not Euro, London time, or such other time as specified in the Final Terms) on the Interest Determination Date in question plus or minus the Margin (if any) (as specified in the Final Terms), all as determined by the Calculation Agent. If five or more such offered quotations are available on the Relevant Screen Page, the highest (or, if there is more than one such highest rate, one only of such rates) and the lowest (or, if there is more than one such lowest rate, one only of such rates) shall be disregarded by the Calculation Agent for the purpose of determining the arithmetic mean (rounded as provided above) of such offered quotations and this rule shall apply *mutatis mutandis* throughout this subparagraph.

If the Relevant Screen Page is not available or if, in the case of (A) above, no such quotation appears or, in the case of (B) above, fewer than three of such offered quotations appear, in each case as at such time, the Calculation Agent shall request, if the Specified Currency is Euro, the principal Euro zone office or, if the Specified Currency is not Euro, the principal London office (or the principal office at such other place as specified in the Final Terms) of each of the Reference Banks (as defined below) to provide the Calculation Agent with its offered quotation (expressed as a percentage rate per annum) for deposits in the Specified Currency for such Specified Period to leading banks in the, if the Specified Currency is Euro, Euro zone inter-bank market or, if the Specified Currency is not Euro, London inter-bank market (or the inter-bank market in such other financial center as specified in the applicable Final Terms) at approximately 11:00 a.m. (if the Specified Currency is Euro, Brussels time, or, if the Specified Currency is not Euro, London time, or such other time as specified in the Final Terms) on the Interest Determination Date. If two or more of the Reference Banks provide the Calculation Agent with such offered quotations, the Rate of Interest for such Specified Period shall be the arithmetic mean (rounded, if necessary, to the nearest one thousandth of a percentage point, with 0.0005 being rounded upwards, if EURIBOR has been specified as Reference Rate in the Final Terms, or, if the specified Reference Rate is not EURIBOR, to the nearest one hundred thousandth of a percentage point, with 0.000005 being rounded upwards) of such offered quotation plus or minus (as appropriate) the Margin (if any), all as determined by the Calculation Agent.

If on any Interest Determination Date one only or none of the Reference Banks provide the Calculation Agent with such offered quotations as provided in the preceding paragraph, the Rate of Interest for the Specified Period in question shall be the rate per annum which the Calculation Agent determines as being the arithmetic mean (rounded, if necessary, to the nearest one thousandth of a percentage point, with 0.0005 being rounded upwards, if EURIBOR has been specified as Reference Rate in the Final Terms, or, if the specified Reference Rate is not EURIBOR, to the nearest one hundred thousandth of a percentage point, with 0.000005 being rounded upwards) of the rates, as communicated to (and at the request of) the Calculation Agent by the Reference Banks or any two or more of them, at which such banks were offered, at approximately 11:00 a.m. (if the Specified Currency is Euro, Brussels time, or, if the Specified Currency is not Euro, London time, or such other time as specified in the Final Terms) on such Interest Determination Date, deposits in the Specified Currency for such Specified Period by leading banks in the, if the Specified Currency is Euro, Euro zone inter-bank market or, if the Specified Currency is not Euro, London inter-bank market (or the inter-bank market in such

other financial center as specified in the Final Terms) plus or minus (as appropriate) the Margin (if any) or, if fewer than two of the Reference Banks provide the Calculation Agent with such offered rates, the offered rate for deposits in the Specified Currency for such Specified Period, or the arithmetic mean (rounded as provided above) of the offered rates for deposits in the Specified Currency for such Specified Period, at which, on such Interest Determination Date, any one or more banks (which bank or banks is or are in the opinion of the Calculation Agent and the Issuer suitable for such purpose) informs the Calculation Agent that it is quoting to leading banks in the, if the Specified Currency is Euro, Euro zone inter-bank market or, if the Specified Currency is not Euro, the London inter-bank market (or the inter-bank market in such other financial center as specified in the Final Terms) (or, as the case may be, the quotations of such bank or banks to the Calculation Agent) plus or minus (as appropriate) the Margin (if any), provided that, if the Rate of Interest cannot be determined in accordance with the foregoing provisions of this paragraph, the Rate of Interest shall be determined as at the last day preceding the Interest Determination Date on which such quotations were offered plus or minus (as appropriate) the Margin (if any) (though substituting, where a different Margin is to be applied to such Specified Period from that which applied to the last preceding Specified Period, the Margin relating to such Specified Period in place of the Margin relating to the last preceding Specified Period).

In this Condition 3, the expression “Reference Banks” means, in the case of (A) above, those banks whose offered rates were used to determine such quotation when such quotation last appeared on the Relevant Screen Page and, in the case of (B) above, those banks whose offered quotations last appeared on the Relevant Screen Page when no fewer than three such offered quotations appeared.

If the Reference Rate from time to time in respect of Floating Rate Notes is specified as being other than, if the Specified Currency is Euro, the Euro zone inter-bank offered rate or, if the Specified Currency is not Euro, the London inter-bank offered rate (or the inter-bank offered rate in such other financial center as specified in the applicable Final Terms), the Rate of Interest in respect of such Notes will be determined as provided in the Final Terms.

(v) *Minimum and/or Maximum Rate of Interest*

If the Final Terms specifies a minimum Rate of Interest for any Specified Period then, in the event that the Rate of Interest in respect of such Specified Period determined in accordance with the above provisions is less than the minimum Rate of Interest, the Rate of Interest for such Specified Period shall be the minimum Rate of Interest. If the Final Terms specifies a maximum Rate of Interest for any Specified Period then, in the event that the Rate of Interest in respect of such Specified Period determined in accordance with the above provisions is greater than the maximum Rate of Interest, the Rate of Interest for such Specified Period shall be the maximum Rate of Interest.

(vi) *Determination of Rate of Interest and Calculation of Interest Amount*

The Calculation Agent will, on or as soon as practicable after each time at which the Rate of Interest is to be determined, determine the Rate of Interest and calculate the amount of interest (the “Interest Amount”) payable on the Floating Rate Notes in respect of each Specified Denomination for the Specified Period in question. Each Interest Amount shall be calculated by applying the Rate of Interest and the Day Count Fraction to each Specified Denomination, and rounding the resultant figure, if the Specified Currency is a currency other than Euro, to the nearest sub-unit of the Specified Currency, one half of any such sub-unit being rounded upwards, and if the Specified Currency is Euro, to the nearest 0.01 Euro, 0.005 Euro being rounded upwards.

“Day Count Fraction” means, in respect of the calculation of an amount of interest on any Floating Rate Note for any period other than a full year from and including the most recent Interest Payment Date (or, if none, the Issue Date, or if different from the Issue Date, the Interest

Commencement Date) to but excluding the relevant payment date (the “Calculation Period”):

- (A) if “Actual/365” or “Actual/Actual” is specified in the Final Terms, the actual number of days in the Calculation Period divided by 365 (or, if any portion of that Calculation Period falls in a leap year, the sum of (1) the actual number of days in that portion of the Calculation Period falling in a leap year divided by 366 and (2) the actual number of days in that portion of the Calculation Period falling in a non-leap year divided by 365);
- (B) if “Actual/365 (Fixed)” is specified in the Final Terms, the actual number of days in the Calculation Period divided by 365;
- (C) if “Actual/365 (Sterling)” is specified in the Final Terms, the actual number of days in the Calculation Period divided by 365 or, in the case of an Interest Payment Date falling in a leap year, 366;
- (D) if “Actual/360” is specified in the Final Terms, the actual number of days in the Calculation Period divided by 360;
- (E) if “30/360”, “360/360” or “Bond Basis” is specified in the Final Terms, the number of days in the Calculation Period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with twelve 30-day months (unless (1) the last day of the Calculation Period is the 31<sup>st</sup> day of a month but the first day of the Calculation Period is a day other than the 30<sup>th</sup> or 31<sup>st</sup> day of a month, in which case the month that includes that last day shall not be considered to be shortened to a 30-day month, or (2) the last day of the Calculation Period is the last day of the month of February, in which case the month of February shall not be considered to be lengthened to a 30-day month)); and
- (F) if “30E/360” or “Eurobond Basis” is specified in the Final Terms, the number of days in the Calculation Period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with twelve 30-day months, without regard to the date of the first day or last day of the Calculation Period unless, in the case of a Calculation Period ending on the Maturity Date, the Maturity Date is the last day of the month of February, in which case the month of February shall not be considered to be lengthened to a 30-day month).

*(vii) Notification of Rate of Interest and Interest Amount*

The Calculation Agent will cause the Rate of Interest, each Interest Amount in respect of each Specified Denomination for each Specified Period, each Specified Period, and the relating Interest Payment Date to be notified to the Issuer and, if required by the rules of any stock exchange on which the Floating Rate Notes are from time to time listed, to such stock exchange, and to be notified to the Noteholders in accordance with Condition 13 as soon as possible after their determination but in no event later than the fourth Business Day (as defined below) in London or such other financial center as specified in the applicable Final Terms. In respect of Notes listed on the Luxembourg Stock Exchange, such notification shall be made to the Luxembourg Stock Exchange on the first day of each Specified Period or each other period for which interest is required to be calculated. Each Interest Amount and Interest Payment Date so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without notice in the event of an extension or shortening of the Specified Period. Any such amendment will be promptly notified to any stock exchange on which the Floating Rate Notes are for the time being listed, if required, and to the Noteholders in accordance with Condition 13.

*(viii) Determinations to be Final*

All determinations made for the purpose of the provisions of this paragraph (b) by the Calculation Agent shall (in the absence of manifest error) be binding on the Issuer, the Issuing Agent, the other Paying Agents and all Noteholders and Couponholders.

**(c) *Index-Linked Interest Notes and Dual Currency Notes***

In the case of Index-Linked Interest Notes or Dual Currency Notes, if the rate or amount of interest falls to be determined by reference to an index, other factor and/or a formula or, as the case may be, a Rate of Exchange, the rate or amount of interest payable shall be determined in the manner specified in the Final Terms. Subparagraphs (b)(i), (v), (vi), (vii) and (viii) shall apply *mutatis mutandis*.

**(d) *Partly-Paid Notes***

In the case of Partly-Paid Notes, interest will accrue as aforesaid on the paid-up principal amount of such Notes and otherwise as specified in the Final Terms.

**(e) *Accrual of Interest***

Each Note (or in the case of the redemption of part only of a Note, that part only of such Note) will cease to bear interest (if any) from the due date for such redemption unless, upon due presentation thereof, payment of principal is improperly withheld or refused. In such event, interest will continue to accrue beyond the due date until the actual redemption of the Note (or the respective part thereof) but not beyond the beginning of the fourteenth day after a notice has been given by the Issuing Agent in accordance with Condition 13 to the effect that the necessary funds for redemption have been provided to the Issuing Agent. The rate of interest shall in such case be the general rate of interest provided for the Note as specified in the Final Terms.

**4. *Redemption and Purchase***

**(a) *At Maturity***

Unless the Notes are Perpetual Notes, as set forth in the Final Terms, and unless previously redeemed in whole or in part or purchased and cancelled as specified below, each Note will be redeemed by the Issuer at its Final Redemption Amount specified in, or determined in the manner specified in, the Final Terms in the Specified Currency on the Maturity Date specified in the Final Terms (in the case of a Note other than a Floating Rate Note) or on the Interest Payment Date falling in the Redemption Month specified in the Final Terms (in the case of a Floating Rate Note).

**(b) *Final Terms***

The Final Terms in relation to any Series of Notes will specify either:

- (i) that the Notes cannot be redeemed prior to their Maturity Date or, if the Notes are Floating Rate Notes, the Interest Payment Date falling in the Redemption Month (in each case except as otherwise provided in Condition 8(b) and, unless the Notes are Subordinated Notes, as specified in the Final Terms, Condition 9); or
- (ii) that the Notes will be redeemable at the option of the Issuer and/or the Noteholders prior to the Maturity Date or, as the case may be, the Interest Payment Date falling in the Redemption Month in accordance with the provisions of paragraphs (c) and/or (d) below on the date or dates and at the amount or amounts specified in the Final Terms, provided, however, that, if the Notes are Subordinated Notes, as specified in the Final Terms, the Notes may not, except as provided in Condition 8(b), be redeemed prior to the Maturity Date.

**(c) *Redemption at the Option of the Issuer***

If so specified in the Final Terms, the Issuer may, having (unless otherwise specified in the Final Terms) given not more than 60 nor less than 30 days' notice to the Issuing Agent and, in accordance with Condition 13, the Noteholders (which notice shall be irrevocable), redeem all or some only of the Notes then outstanding on the Optional Redemption Date(s) at the Optional Redemption Amount) specified in, or determined in the manner specified in, the Final Terms together, if appropriate, with accrued interest. In the event of a redemption of some only of the Notes, such redemption must be of a principal amount being not lower than the Minimum Redemption Amount and not higher than the Maximum Redemption Amount,

both as specified in the Final Terms. In the case of a partial redemption of Definitive Notes, the Notes to be repaid will be selected individually by lot not more than 15 days prior to the date fixed for redemption and a list of the Notes called for redemption will be notified in accordance with Condition 13 not less than 10 days prior to such date. In the case of a partial redemption of Notes which are represented by a Global Note, the Notes will be selected in accordance with the rules of the relevant Clearing System(s). The Issuer may not exercise such option in respect of any Note which is the subject of the prior exercise by the Noteholder of its option (if any) to require the redemption of such Note under paragraph (d) of this Condition 4.

***(d) Redemption at the Option of the Noteholders***

If and to the extent specified in the Final Terms, upon a Noteholder giving to the Issuer in accordance with Condition 13(b) not more than 60 days' and not less than 30 days' notice (which notice shall be irrevocable) the Issuer will, upon the expiry of such notice, redeem subject to, and in accordance with, the terms specified in the Final Terms all Notes, as to which Noteholders have given such notice (and which have been lodged with the Issuing Agent as provided in Condition 13(b), on the Optional Redemption Date at the Optional Redemption Amount specified in, or determined in the manner specified in, the Final Terms together, if appropriate, with accrued interest. The Noteholder may not exercise such option in respect of any Note which is the subject of the prior exercise by the Issuer of its option (if any) to redeem such Note under paragraph (c) of this Condition 4.

***(e) Early Redemption Amounts***

For the purposes of Conditions 8(b) and 9, the Notes will be redeemed at an amount (the "Early Redemption Amount") calculated as follows:

- (i) in the case of Notes with a Final Redemption Amount equal to the Issue Price, at the Final Redemption Amount thereof; or
- (ii) in the case of Notes (other than Zero Coupon Notes) with a Final Redemption Amount which is or may be less or greater than the Issue Price or which is payable in a Specified Currency other than that in which the Notes are denominated, at the amount specified in, or determined in the manner specified in, the Final Terms or, if no such amount or manner is specified in the Final Terms, at their principal amount; or
- (iii) in the case of Zero Coupon Notes, at an amount equal to either:
  - (A) the sum of
    - (1) the Reference Price specified in the Final Terms; and
    - (2) the product of the Amortization or Accrual Yield specified in the Final Terms (compounded annually), being applied to the Reference Price from (and including) the Issue Date to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Note becomes due and repayable; or
  - (B) such other amount as specified in the Final Terms.

Where such calculation is to be made for a period of less than a full year, it shall be made on the basis of the provisions set forth in Condition 3(b)(vi) (in the case of Floating Rate Notes) or Condition 3(a)(ii) (in the case of other Notes), or as otherwise specified in the Final Terms.

***(f) Installments***

If the Notes are repayable in installments, they will be redeemed in the Installment Amounts and on the Installment Dates specified in the Final Terms.

***(g) Purchases***

The Issuer or any of its affiliates may at any time purchase Notes in the market or otherwise (provided that,

in the case of Definitive Notes, all unmatured Coupons appertaining thereto are surrendered therewith). If the Notes are Subordinated Notes, such purchase is subject to Condition 2. Notes purchased by the Issuer as aforesaid may, at the option of the Issuer, be held, resold or surrendered for cancellation.

***(h) Cancellation***

All Notes redeemed in full upon their becoming due and payable will be cancelled forthwith (together with all unmatured Coupons surrendered therewith or attached thereto) and may not be reissued or resold.

***(i) Late Payment on Zero Coupon Notes***

Should the Issuer fail to pay upon presentation of any Zero Coupon Note the amount due, interest at the rate of the Amortization or Accrual Yield specified in the Final Terms shall accrue from the due date until the actual redemption of such Zero Coupon Note, but not beyond the beginning of the fourteenth day after a notice has been given by the Issuing Agent in accordance with Condition 13 to the effect that the necessary funds for redemption have been provided to the Issuing Agent.

**5. Payments**

***(a) Method of Payment***

Subject as provided below:

- (i) payments of amounts due in respect of Notes denominated in a currency other than Euro will be made by transfer to an account in the Specified Currency (which expression shall mean the freely negotiable and convertible currency which on the respective due date is the legal tender in the country of the Specified Currency) maintained by the payee with, or by a cheque in the Specified Currency drawn on, a bank in the principal financial center of the country of the Specified Currency; and
- (ii) payments of amounts due in respect of Notes denominated in Euro will be made in Euro by transfer to a Euro account maintained by the payee with, or by a Euro cheque drawn on, a bank in a principal financial center of a country which on the due date for payment is a participating member state of the European Monetary Union; and
- (iii) no payment of any amount due in respect of any Note shall be made at any office or agency in the United States, and no check in payment thereof shall be mailed to an address in the United States, nor shall any such payment be made by transfer to an account maintained by the payee with a bank in the United States. Notwithstanding the foregoing, such payments may be made at an office or agency located in the United States if such payments are to be made in U.S. dollars and if payment of the full amount so payable at each office of the Issuing Agent and each Paying Agent outside the United States appointed and maintained by the Issuer pursuant to the Agency Agreement is illegal or effectively precluded because of the imposition of exchange controls or other similar restrictions on the full payment or receipt of such amounts in U.S. dollars, and provided further, such payment is then permitted under United States law without involving, in the opinion of the Issuer, adverse tax consequences to the Issuer; and
- (iv) payments will be subject in all cases to applicable fiscal or other laws and regulations in the place of payment, but without prejudice to the provisions of Condition 8.

***(b) Presentation of Notes, Coupons and Talons***

Payments of principal in respect of Definitive Notes will (subject as provided below) be made in the manner provided in paragraph (a) above against surrender of Definitive Notes and payments of interest in respect of Definitive Notes will (subject as provided below) be made as aforesaid against surrender of Coupons, in each case at the specified office of any Paying Agent outside the United States. Definitive Notes and Collective Notes redeemable in Installment Amounts will be stamped or otherwise invalidated by a Paying Agent upon each payment of an Installment Amount.

Fixed Rate Notes in definitive form (other than Dual Currency Notes or Index-Linked Notes) shall be presented for payment together with all unmatured Coupons appertaining thereto failing which the amount of any missing unmatured Coupon will be deducted from the sum due for payment. Each amount of principal so deducted will be paid in the manner mentioned above against surrender of the missing Coupon at any time before the end of the presentation period (as defined in Condition 12, sentence 2). The foregoing provisions of this paragraph notwithstanding, if Fixed Rate Notes have a Maturity Date such that, on the presentation for payment of any such Fixed Rate Note without any unmatured Coupons attached thereto or surrendered therewith, the amount required by the foregoing provisions to be deducted would be greater than the amount otherwise due for payment, then upon the due date for redemption of any such Note such unmatured Coupons (whether or not attached) shall become void (and no payment shall be made in respect thereof) as shall be required so that, upon the application of the foregoing provisions of this paragraph the amounts required to be deducted will not be greater than the amount otherwise due for payment. Where the application of the foregoing sentence requires some but not all of the unmatured Coupons to become void, the Issuing Agent shall determine which unmatured Coupons are to become void and shall select for such purpose Coupons maturing on early dates in preference to Coupons maturing on later dates.

Upon any Fixed Rate Note in definitive form becoming due and repayable prior to its Maturity Date, all Talons (if any) appertaining thereto (whether or not attached) will become void and no further Coupons will be issued in respect thereof.

Upon the date on which any Floating Rate Note, Dual Currency Note, Note redeemable in Installment Amounts or Index-Linked Note in definitive form becomes due and repayable, unmatured Coupons and Talons (if any) appertaining thereto (whether or not attached) shall become void and no payment or, as the case may be, exchange for further Coupons shall be made in respect thereof.

If the due date for redemption of any Definitive Note is not an Interest Payment Date, interest (if any) accrued in respect of such Note from and including the preceding Interest Payment Date or, as the case may be, the Issue Date or, if different from the Issue Date, the Interest Commencement Date shall be payable only against surrender of the Definitive Note.

Payment of principal and interest (if any) in respect of Notes represented by a Global Note will (subject as provided below) be made to the Clearing System or to its order for credit to the accounts of the relevant account holders of the Clearing System and otherwise in the manner specified in such Global Note. Payment of principal in full shall be made, against surrender, payment of principal in part or interest against presentation of such Global Note at the specified office of the Issuing Agent.

In the case of any Notes held through a Clearing System, the Issuer will be discharged by payment to, or to the order of, such Clearing System in respect of each amount so paid. Each of the persons shown in the records of such Clearing System as the holder of a particular principal amount of Notes must look solely to the Clearing System for its share of each payment so made by the Issuer.

The Issuer may deposit with the local court (*Amtsgericht*) in Munich principal and interest not claimed by Noteholders or Couponholders within twelve months after the Relevant Date (as defined in Condition 8). To the extent the right to withdraw such deposits is waived, the claims of the Noteholders against the Issuer shall cease.

**(c) Payment Day**

If the date for payment of any amount in respect of any Note or Coupon is not (i) a day (other than a Saturday or a Sunday) on which commercial banks and foreign exchange markets are open for business (including dealings in foreign exchange and foreign currencies) in the place of presentation; and (ii) a Business Day (as defined below), then the holder thereof shall not be entitled to payment until the next such day in such place and shall not be entitled to further interest or other payment in respect of such delay.

“Business Day” means (unless otherwise specified in the Final Terms) a day which is:

- (A) in relation to Notes denominated in a currency other than Euro a day (other than a Saturday or

Sunday) on which commercial banks and foreign exchange markets are open for business in London and settle payments in the principal financial center of the country of the Specified Currency and such Additional Financial Center(s) (if any), as specified in the Final Terms; and

- (B) in relation to Notes denominated in Euro, a day on which all relevant parts of the Trans-European Automated Real-time Gross settlement Express Transfer system (“TARGET”) are operational to effect the relevant payment and, if so specified in the Final Terms, a day on which commercial banks and foreign exchange markets are open for business and settle payments in such Additional Financial Center(s) as specified in the Final Terms.

***(d) Interpretation of Principal and Interest***

Any reference in these Terms and Conditions to “principal” or the “principal amount” of the Notes shall be deemed to include, as applicable:

- (i) any additional amounts which may be payable under Condition 8 in relation to a deduction or withholding referred to therein in respect of a payment of principal;
- (ii) the Final Redemption Amount of the Notes;
- (iii) the Early Redemption Amount of the Notes;
- (iv) the Optional Redemption Amount(s) (if any) of the Notes;
- (v) in relation to Notes redeemable in installments, the Installment Amounts; and
- (vi) any premium and other amounts which may be payable under or in respect of the Notes.

Any reference in these Terms and Conditions to interest in respect of the Notes shall be deemed to include, if applicable, any additional amounts which may be payable under Condition 8 in relation to a deduction or withholding referred to therein in respect of a payment of interest.

**6. Issuing Agent, Paying Agents and Calculation Agent**

The names of the initial Issuing Agent and Principal Paying Agent, the other initial Paying Agents and the initial Calculation Agent (if any, and provided that it is different from the Issuing Agent) and their initial specified offices are set out on the relevant Note.

The Issuer is entitled to vary or terminate the appointment of any Issuing Agent, Paying Agent or Calculation Agent (if any, and provided that it is different from the Issuing Agent) and/or appoint another Issuing Agent, additional or other Paying Agents or another Calculation Agent and/or approve any change in the specified office through which any Issuing Agent, Paying Agent or Calculation Agent (if any) acts, provided that:

- (i) so long as Notes are listed on the Luxembourg Stock Exchange, there will at all times be a Paying Agent with a specified office in Luxembourg;
- (ii) so long as Notes are listed on any further stock exchange, there will at all times be a Paying Agent with a specified office at the location of the exchange or such other location as may be required by the rules of such stock exchange;
- (iii) so long as Definitive Notes and Coupons are outstanding there will at all times be a Paying Agent with a specified office in a city in continental Europe;
- (iv) there will at all times be an Issuing Agent;
- (v) to the extent that a Calculation Agent is required to be appointed, there will at all times be a Calculation Agent; and
- (vi) the Issuer ensures that it maintains a Paying Agent in an EU Member State that will not be obliged to withhold or deduct tax pursuant to the European Union directive on taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive or law to the extent possible.



Any variation, termination, appointment or change shall only take effect (other than in the case of insolvency, when it shall be of immediate effect) after not less than 30 nor more than 45 days' prior notice thereof shall have been given to the Noteholders in accordance with Condition 13 provided that no such variation, termination, appointment or change shall take effect (except in the case of insolvency) within 15 days before or after any Interest Payment Date.

The Issuing Agent, the Paying Agents and the Calculation Agent (if any) act solely as agents of the Issuer and do not have any obligations towards or relationship of agency or trust to any Noteholder.

## **7. Exchange of Talons**

On and after the Interest Payment Date, on which the final Coupon comprised in any Coupon sheet matures, but not later than the expiration date of the presentation period for the Coupons which may be exchanged for the respective Talons, the Talon (if any) forming part of such Coupon sheet may be surrendered at the specified office of the Issuing Agent or any other Paying Agent in exchange for a further Coupon sheet including (if such further Coupon sheet does not include Coupons to, and including, the final date for the payment of interest due in respect of the Note to which it appertains) a further Talon, subject to the provisions of Condition 12. Each Talon shall, for the purposes of these Terms and Conditions, be deemed to mature on the Interest Payment Date on which the final Coupon comprised in the related Coupon sheet matures.

## **8. Taxation**

(a) Principal and interest in respect of the Notes or Coupons shall be payable without deduction or withholding for or on account of any present or future taxes, duties or governmental charges of any nature whatsoever imposed, levied or collected by or in the Federal Republic of Germany, or, if the Notes are issued through a branch, the jurisdiction where such branch is established, or by or on behalf of any political subdivision or authority thereof or therein having power to tax ("Withholding Taxes"), unless such deduction or withholding is required by law. In such event, the issuer shall pay such additional amounts of principal and interest as may be necessary in order that the net amounts received by the Noteholders or the Couponholders after such deduction or withholding shall equal the respective amounts of principal and interest which would have been receivable had no such deduction or withholding been required. No such additional amounts shall, however, be payable on account of any taxes, duties or governmental charges which:

- (i) are payable otherwise than by deduction or withholding from payments of principal or interest; or
- (ii) are payable by reason of the Noteholder or the Couponholder having, or having had, some personal or business connection with the Federal Republic of Germany or, if the Notes are issued through a branch, the jurisdiction where such branch is established and not merely by reason of the fact that payments in respect of the Notes or Coupons are, or for purposes of taxation are deemed to be, derived from sources in, or are secured in, the Federal Republic of Germany; or
- (iii) are payable by reason of a change in law that becomes effective more than 30 days after the payment of principal or interest becomes due or is duly provided for and notice thereof is published in accordance with Condition 13 (the "Relevant Date"), whichever occurs later; or
- (iv) are deducted or withheld by a Paying Agent from a payment if the payment could have been made by another Paying Agent without such deduction or withholding; or
- (v) would not be payable if the Notes had been kept in safe custody, and the payments had been collected, by a banking institution; or
- (vi) are deducted or withheld from a payment to an individual if such deduction or withholding is required to be made pursuant to the European Community Directive (EC 2003/48/EC) on taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive or law; or
- (vii) would not be payable if the Noteholder or the Couponholder makes a declaration of non-residence or

other similar claim for exemption to the relevant tax authorities or complies with any reasonable certification documentation, information or other reporting requirement.

(b) If, as a result of any change in, or amendment to, the laws or regulations prevailing in the Federal Republic of Germany or, if the Notes are issued through a branch, the jurisdiction where such branch is established, or any political subdivision or taxing authority thereof or therein affecting taxation or the obligation to pay duties of any kind, or as a result of any change in, or amendments to, the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the fifth day prior to the Issue Date of the Notes or, if the Notes comprise more than one Tranche, the Issue Date of the first Tranche, Withholding Taxes are or will be leviable on payments of principal or interest in respect of the Notes, which cannot be avoided and, by reason of the obligation to pay additional amounts on the next succeeding Interest Payment Date (in the case of Notes other than Zero Coupon Notes) or at maturity or upon the sale or exchange of any Notes (in the case of Zero Coupon Notes) as provided in paragraph (a) or otherwise, such Withholding Taxes are to be borne by the Issuer, the Issuer may redeem the Notes in whole, but not in part, at any time, or, if the Notes are Floating Rate Notes, on any Interest Payment Date, on giving not less than 30 days' notice, at their Early Redemption Amount (Condition 4(e)), together with interest accrued to (but excluding) the date fixed for redemption, provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to withhold or pay Withholding Taxes were a payment in respect of the Notes or Coupons then made.

(c) Any such notice shall be given in accordance with Condition 13. It shall be irrevocable, must specify the date fixed for redemption and must set forth a statement in summary form of the facts constituting the basis for the right of the Issuer so to redeem.

## **9. Events of Default**

(a) Unless the Notes are Subordinated Notes, as specified in the Final Terms, each Noteholder shall be entitled to declare its Notes due and demand immediate redemption thereof at the Early Redemption Amount (Condition 4(e)) in the event that:

- (i) there is failure to pay any amount due under the Notes within 30 days from the due date; or
- (ii) there is failure by the Issuer to perform any of its other obligations under the Notes and such failure shall continue for more than 45 days after written notice thereof has been delivered to the Issuer by any of the Noteholders; or
- (iii) the Issuer suspends its payments generally; or
- (iv) insolvency proceedings or composition proceedings to avert insolvency or similar proceedings are instituted against the Issuer's assets by a court in the Federal Republic of Germany or, if the Notes are issued through a branch, the jurisdiction where such branch is established, or the Issuer applies for institution of any one of these proceedings concerning its assets, or the Issuer offers an out-of-court settlement to avert insolvency, composition or similar proceedings; or
- (v) the Issuer goes into liquidation, except if the Issuer merges with another company or is otherwise reorganized and such other or reorganized company assumes the obligations of the Issuer under the Notes and the Coupons.

The right to declare Notes due shall terminate if the event giving rise to such rights has been cured before the right is exercised.

(b) A Noteholder shall exercise its right to declare its Notes due in accordance with paragraph (a) above by delivering or sending by registered mail to the relevant Issuer written notice as well as evidence of ownership. The Notes shall become due upon receipt of such notice by the relevant Issuer.

(c) If the Notes are Subordinated Notes, as specified in the Final Terms, no Noteholder shall be entitled to declare its Notes due or demand early redemption thereof for any reason.

## 10. Substitution of the Issuer

(a) The Issuer may, without the consent of the Noteholders, if no payment of principal or interest on any of the Notes is in default, at any time substitute for the Issuer any Affiliate (as defined below) of the Issuer as principal debtor in respect of all obligations arising from or in connection with the Notes (the “Substituted Debtor”) provided that:

- (i) the Substituted Debtor assumes all obligations of the Issuer in respect of the Notes;
- (ii) the Issuer and the Substituted Debtor have obtained all necessary authorizations and may transfer to the Issuing Agent in the currency required hereunder and without being obligated to deduct or withhold any taxes or other duties of whatever nature levied by the country in which the Substituted Debtor or the Issuer has its domicile or tax residence, all amounts required for the fulfillment of the payment obligations arising under the Notes;
- (iii) the Substituted Debtor has agreed to indemnify and hold harmless each Noteholder against any tax, duty, assessment or governmental charge imposed on such Noteholder in respect of such substitution;
- (iv) unless the Notes are Subordinated Notes, the Issuer has irrevocably and unconditionally guaranteed in favor of each Noteholder the payment of all sums payable by the Substituted Debtor in respect of the Notes on terms which ensure that each Noteholder will be put in an economic position that is at least as favorable as that which would have existed had the substitution not taken place;
- (v) if the Notes are Subordinated Notes, the obligations assumed by the Substituted Debtor in respect of the Notes are subordinated on terms identical to the terms of the Notes and (A) the Substituted Debtor is a subsidiary (*Tochterunternehmen*) of the Issuer within the meaning of §§ 1 subparagraph 7 and 10 subparagraph 5a sentence 11 of the German Banking Act (*Kreditwesengesetz*), (B) the Substituted Debtor deposits an amount which is equal to the aggregate principal amount of the Notes with the Issuer on terms equivalent, including in respect of subordination, to the terms and conditions of the Notes, and (C) the Issuer has irrevocably and unconditionally guaranteed in favor of each Noteholder the payment of all sums payable by the Substituted Debtor in respect of the Notes on terms which ensure that each Noteholder will be put in an economic position that is at least as favorable as that which would have existed had the substitution not taken place;
- (vi) there shall have been delivered to the Issuing Agent an opinion or opinions of lawyers of recognized standing to the effect that subparagraphs (i), (ii), (iii) and (iv) above have been satisfied.

For purposes of this Condition 10, “Affiliate” shall mean any affiliated company (*verbundenes Unternehmen*) within the meaning of § 15 of the German Stock Corporation Act (*Aktiengesetz*).

(b) Any such substitution shall be notified in accordance with Condition 13.

(c) In the event of such substitution, any reference in these Terms and Conditions to the Issuer shall from then on be deemed to refer to the Substituted Debtor, and any reference to the country in which the Issuer is organized, domiciled or resident for taxation purposes shall from then on be deemed to refer to the country of organization domicile or residence of the Substituted Debtor.

## 11. Replacement of Notes, Coupons and Talons

Replacement of lost, destroyed or mutilated Notes may be made in accordance with the requirements of German law.

The right pursuant to § 804 subparagraph 1 sentence 1 of the German Civil Code (*Bürgerliches Gesetzbuch*) in respect of lost or destroyed Coupons is excluded (§ 804 subparagraph 2 of the German Civil Code (*Bürgerliches Gesetzbuch*)).

The rights of any Noteholder pursuant to § 805 of the German Civil Code (*Bürgerliches Gesetzbuch*) are excluded. Furthermore, no claim in respect of lost or destroyed Talons exists.

## 12. Presentation Period

The presentation period provided in § 801 subparagraph 1 sentence 1 of the German Civil Code (*Bürgerliches Gesetzbuch*) is reduced to ten years for the Notes. The presentation period for the Coupons shall, in accordance with § 801 subparagraph 2 of the German Civil Code (*Bürgerliches Gesetzbuch*), be four years, beginning with the end of the calendar year in which the Coupon falls due.

### **13. Notices**

(a) All notices concerning the Notes shall be given in accordance with legal requirements. In respect of any Global Note, this shall include the giving of notice to the relevant Clearing System. In respect of Notes in definitive or global form listed on the Luxembourg Stock Exchange this shall include publication in a newspaper with general circulation in Luxembourg (which is expected to be “d’Wort”) or on the internet site of the Luxembourg Stock Exchange (www.bourse.lu). In respect of Notes listed on any other stock exchange and if the rules of such exchange so require, this shall include publication in accordance with the requirements of such stock exchange.

(b) Notices to be given by any Noteholder shall be in writing and given by lodging the same, together with the Note or Notes to which the notice relates, with the Issuing Agent.

### **14. Further Issues**

Unless otherwise specified in the Final Terms, the Issuer reserves the right from time to time without the consent of the Noteholders or Couponholders to issue additional notes with identical terms, so that the same shall be consolidated and form a single series with the Series comprising the Notes. The term “Notes” shall, in the event of such increase, also comprise all additionally issued notes.

### **15. Applicable Law, Place of Performance, Place of Jurisdiction and Enforcement**

(a) The Notes, as to form and content, and all rights and duties of the Noteholders or the Couponholders, the Issuer, the Issuing Agent, the other Paying Agents and the Calculation Agent shall in all respects be determined in accordance with the law of the Federal Republic of Germany.

(b) The place of performance shall be Munich.

(c) The place of jurisdiction for all proceedings arising out of or in connection with the Notes shall be Munich. The Noteholders and the Couponholders, however, may also pursue their claims before any other courts having jurisdiction over the Issuer. The German courts shall have exclusive jurisdiction over the annulment of lost or destroyed Notes. The Issuer hereby submits to the jurisdiction of the courts referred to in this subparagraph.

(d) The Noteholder with respect to any Notes held through a Clearing System may in any proceedings against the Issuer, or to which such Noteholder and the Issuer are parties, protect and enforce in his own name his rights arising under such Notes on the basis of (i) a statement issued by the Custodian with whom such Noteholder maintains a securities account in respect of the Notes (A) stating the full name and address of the Noteholder, (B) specifying the aggregate principal amount of Notes credited to such securities account on the date of such statement and (C) confirming that the Custodian has given written notice to the Clearing System containing the information pursuant to (A) and (B), and (ii) a copy of the Note in global or definitive form certified as being a true copy by a duly authorized officer of the Clearing System or a depository of the Clearing System, without the need for production in such proceedings of the actual records or the Global Note or Definitive Note. For purposes of the foregoing, “Custodian” means any bank or other financial institution of recognized standing authorized to engage in securities custody business with which the Noteholder maintains a securities account in respect of the Notes and includes the Clearing System.

(e) Should any provision of these Terms and Conditions be or become void, the other provisions shall remain in force. Such provisions as are void or cannot be given effect shall be replaced in accordance with the meaning and purpose of these Terms and Conditions.

## VII. TERMS AND CONDITIONS (BEARER PFANDBRIEFE)

*The following are the Terms and Conditions (Bearer Pfandbriefe) (the “Terms and Conditions”) which (subject to completion and amendment and together with any documents herein incorporated by reference or required to be attached hereto) will be physically attached to each Temporary Global Note (as defined below) and Permanent Global Note (as defined below). In relation to any Series (as defined below) of Notes (as defined below), the Terms and Conditions are supplemented and amended by the applicable Final Terms (as defined below). The Final Terms in relation to any Series of Notes may specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with such Terms and Conditions, replace or modify such Terms and Conditions for the purpose of such Series of Notes. In lieu of modifying the Terms and Conditions by a Final Terms, any Series of Notes in bearer form may be issued on alternative terms and conditions which will be physically attached to each Global Note. Capitalized terms used in the Terms and Conditions but not defined herein shall, in relation to any Series of Notes, have the meaning specified opposite such term in the applicable Final Terms. The Final Terms in relation to any Series of Notes will be physically attached to each Global Note.*

This Note is one of a Series of Mortgage Pfandbriefe (*Hypothekendarpfandbriefe*) or Public Sector Pfandbriefe (*Öffentliche Pfandbriefe*) (as specified in the Final Terms) in bearer form (each a “Note” and together the “Notes”) which may be represented by one or more global Pfandbriefe (each a “Global Note”) (which expression shall mean any temporary global Pfandbrief (“Temporary Global Note”) or any permanent global Pfandbrief (“Permanent Global Note”). The expression “Notes” shall mean units of the lowest Specified Denomination in the Specified Currency issued subject to an amended and restated Issuing and Paying Agency Agreement dated 30 August 2005 (the “Agency Agreement”), as amended and/or supplemented from time to time, between Hypo Real Estate Bank Aktiengesellschaft (“Hypo Real Estate”) (acting through its head office or one of its foreign branches, if any) as issuer (the “Issuer”) and Citibank, N.A., London office, as issuing agent, principal paying agent and registrar (where applicable) (the “Issuing Agent” and “Principal Paying Agent”, which expression shall include any successor agent) and Banque Générale du Luxembourg S.A. (together with the Principal Paying Agent, the “Paying Agents”, which expression shall include any additional or successor paying agents). The Issuing Agent shall also act as the calculation agent (the “Calculation Agent”, which expression shall include any successor agent) (if any) unless otherwise specified in the Final Terms.

The Notes may be subject to (i) U.S. Treasury Regulation § 1.163-5(c)(2)(i)(c) (“TEFRA C Rules”) (“TEFRA C Notes”), (ii) U.S. Treasury Regulation § 1.163-5(c)(2)(i)(D) (“TEFRA D Rules”) (“TEFRA D Notes”) or (iii) neither the TEFRA C Rules nor the TEFRA D Rules, in each case as specified in the Final Terms.

As used herein, the term “Noteholder” means any holder of a proportionate co-ownership or other beneficial interest or right in such Notes.

As used herein, the term “Final Terms” means the Final Terms attached to the Temporary Global Note or the Permanent Global Note. Should the Final Terms specify other terms and conditions inconsistent with these Terms and Conditions, the former shall replace or modify the latter to the extent specified in the Final Terms. The Terms and Conditions as supplemented, amended, replaced or modified by the Final Terms are hereinafter referred to as the “Conditions”.

As used herein, “Series” means each initial issue of Notes together with any further issues expressed to form a single series with the initial issue which are denominated in the same currency and which are identical in all respects (including whether or not the Notes are listed) (except for the Issue Date, the Interest Commencement Date (if different from the Issue Date) and/or the Issue Price (as specified in the Final Terms). As used herein, “Tranche” means all Notes of the same Series with the same Issue Date and Interest Commencement Date (if different from the Issue Date).

Copies of the Agency Agreement (which contains the form of Final Terms (Bearer Pfandbriefe)) and the Final Terms applicable to each Series of Notes are available at the specified offices of the Issuing Agent and the other Paying Agents.

## **1. Form**

The Notes are in bearer form, in the aggregate principal amount specified in the Final Terms denominated in the Specified Currency and the Specified Denomination(s).

This Note is a Fixed Rate Note, a Floating Rate Note, a Zero Coupon Note, an Index-Linked Note or a Dual Currency Note or a combination of any of the foregoing, depending upon the Interest/Payment Basis specified in the Final Terms.

If the Notes are TEFRA C Notes, or neither TEFRA C Notes nor TEFRA D Notes (as specified in the applicable Final Terms), the Notes are from the Issue Date represented by a Permanent Global Note.

If the Notes are TEFRA D Notes (as specified in the applicable Final Terms), the Notes are initially represented by a Temporary Global Note (as specified in the Final Terms). Such Temporary Global Note shall, on or after the date which is 40 days after the Issue Date, and subject to the requirements set forth in the terms of the Temporary Global Note be exchanged (at the cost of the Issuer) for a Permanent Global Note upon presentation of the Temporary Global Note at the offices of the Issuing Agent, but only upon certification as to non-U.S. beneficial ownership as set forth in the terms of the Temporary Global Note.

Notes in definitive form or interest coupons shall not be issued in respect of any Series of Notes.

Each Temporary Global Note and Permanent Global Note bears the signatures of two authorized persons on behalf of the Issuer (which signatures may be facsimile signatures) and the manual signature of the *Treuhänder* for the Issuer appointed by the Federal Financial Supervisory Authority (*Bundesanstalt für Finanzdienstleistungsaufsicht*). Each Note shall also bear the handwritten signature of an authorized officer of the Issuing Agent.

The Notes will be deposited with the Clearing System(s) specified in the Final Terms or another central securities depository. The Notes will be transferable only in accordance with the rules and procedures for the time being of such Clearing System(s) or central securities depository.

## **2. Status of Notes**

The Notes constitute direct, unconditional and unsubordinated obligations of the Issuer, ranking *pari passu* among themselves. The Notes are covered by a pool of assets in accordance with the German Mortgage Bank Act (*Hypothekbankgesetz*) and as of 19 July 2005 in accordance with the German Pfandbrief-Act (*Pfandbriefgesetz*) and rank at least *pari passu* with all other obligations of the Issuer arising from Mortgage Pfandbriefe (*Hypothekpfandbriefe*) or Public Sector Pfandbriefe (*Öffentliche Pfandbriefe*), as the case may be.

## **3. Interest**

If the Notes are TEFRA D Notes, as specified in the Final Terms, no principal or interest shall be paid on any portion of the Temporary Global Note prior to such portion being exchanged for an interest in a Permanent Global Note unless the Noteholder has provided an appropriate certificate as to non-U.S. beneficial ownership in accordance with the terms of the Temporary Global Note.

### **(a) Interest on Fixed Rate Notes**

- (i) Each Fixed Rate Note bears interest from (and including) the Interest Commencement Date to (but excluding) the Maturity Date specified in the Final Terms at the rate(s) per annum equal to the Fixed Rate(s) of Interest so specified payable on the Interest Payment Date(s) in each year and on the Maturity Date so specified if the Maturity Date does not fall on an Interest Payment Date. The first payment of interest will be made on the Interest Payment Date next following the Issue Date or, if different from the Issue Date, the Interest Commencement Date and, if the Interest Payment Date next following the Issue Date or, if different from the Issue Date, the Interest Commencement Date is not the first anniversary of the Issue Date or, if different from the Issue Date, the Interest Commencement Date, will amount to the initial Broken Amount specified in the Final Terms. If the Maturity Date is not an Interest Payment Date, interest from and including the preceding Interest

Payment Date (or the Issue Date or, if different from the Issue Date, the Interest Commencement Date, as the case may be) to (but excluding) the Maturity Date will amount to the final Broken Amount specified in the Final Terms.

- (ii) If interest is required to be calculated for a period of other than a full year, such interest shall be calculated on the basis of the Day Count Fraction (as defined below), specified in the applicable Final Terms. “Day Count Fraction” means, in respect of the calculation of an amount of interest for any period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (the “Calculation Period”):
  - (A) if Actual/Actual (ISMA) is specified in the Final Terms:
    - (1) in the case of Notes where the number of days in the relevant Calculation Period is equal to or shorter than the Determination Period during which the Calculation Period ends, the number of days in such Calculation Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates (as specified in the Final Terms) that would occur in one calendar year; or
    - (2) in the case of Notes where the Calculation Period is longer than the Determination Period during which the Calculation Period ends, the sum of:
      - (α) the number of days in such Calculation Period falling in the Determination Period in which the Calculation Period begins divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates (as specified in the Final Terms) that would occur in one calendar year, and
      - (β) the number of days in such Calculation Period falling in the next Determination Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year; and
  - (B) if “30/360” is specified in the Final Terms, the number of days in the relevant Calculation Period (such number of days being calculated on the basis of twelve 30-day months) divided by 360;

“Determination Period” means each period from (and including) a Determination Date to but excluding the next Determination Date (including, where either the Interest Commencement Date or the final Interest Payment Date is not a Determination Date, the period commencing on the first Determination Date prior to, and ending on the first Determination Date falling after, such date).

**(b) Interest on Floating Rate Notes**

**(i) Interest Payment Dates**

Each Floating Rate Note bears interest from (and including) the Issue Date or, if different from the Issue Date, the Interest Commencement Date to (but excluding) the first Interest Payment Date (as defined below) and thereafter from (and including) each Interest Payment Date to (but excluding) the next following Interest Payment Date. Floating Rate Notes cease to bear interest on the Maturity Date. Interest will be payable on each Interest Payment Date. “Interest Payment Date” means (A) if Specified Interest Payment Dates are specified in the Final Terms, each such Specified Interest Payment Date or (B) if Specified Periods are specified in the Final Terms, each date which (except as otherwise specified in these Terms and Conditions or the Final Terms) falls the number of months or other period(s) specified as the Specified Period in the Final Terms after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the Issue Date or, if different from the Issue Date, the Interest Commencement Date. Unless otherwise specified in the Final Terms, if any Interest Payment Date would otherwise fall on a day which is not a Business Day (as defined in Condition 5(c)) and a day (other than a Saturday or a Sunday) on which commercial banks and foreign exchange markets are open for business in the Additional Business Center(s) specified in the Final Terms, the Interest Payment Date shall be determined as set forth

below, in accordance with the Business Day Convention specified in the Final Terms.

- (A) If Modified Following Business Day Convention is specified in the Final Terms, the Interest Payment Date shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event the payment date shall be the immediately preceding Business Day.
- (B) If Floating Rate Convention is specified in the Final Terms, the Interest Payment Date shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event (1) the payment date shall be the immediately preceding Business Day and (2) each subsequent Interest Payment Date shall be the last Business Day in the month which falls the number of months or other periods specified in the Final Terms after the preceding applicable payment date.
- (C) If Following Business Day Convention is specified in the Final Terms, the Interest Payment Date shall be postponed to the next day which is a Business Day.
- (D) If Preceding Business Day Convention is specified in the Final Terms, the Interest Payment Date shall be the immediately preceding Business Day.

(ii) *Rate of Interest*

The Rate of Interest payable from time to time in respect of Floating Rate Notes will be determined in the manner specified in the Final Terms.

(iii) *ISDA Determination*

Where so specified in the Final Terms, interest will be payable on such dates and in such amounts as would have been payable by the relevant Issuer if it had entered into an interest rate swap transaction governed by an agreement in the form of the ISDA Master Agreement (an "ISDA Agreement") published by the International Swaps and Derivatives Association Inc. ("ISDA") and evidenced by a Confirmation (as defined in the ISDA Agreement) incorporating the 2000 ISDA Definitions (the "ISDA Definitions"), or any amended and supplemented set of ISDA Definitions, published by ISDA and both as physically attached to the Note with the holder of the relevant Note under which:

- (A) the Issuer was the Floating Rate Payer;
- (B) the Issuing Agent was the Calculation Agent;
- (C) the Issue Date or, if different from the Issue Date, the Interest Commencement Date was the Effective Date;
- (D) the aggregate principal amount of the Notes of the Series of which such Note is a part was the Notional Amount;
- (E) the Interest Payment Dates were the Floating Rate Payer Payment Dates; and
- (F) all other terms were as specified in the Final Terms.

When the preceding sentence applies, in respect of each Interest Payment Date:

- (1) the amount of interest determined for such Interest Payment Date will be the Interest Amount for the Specified Period ending on such Interest Payment Date for the purposes of these Terms and Conditions as though determined under subparagraph (vi) below;
- (2) the Rate of Interest for such Specified Period will be the Floating Rate (as defined in the ISDA Definitions) determined by the Calculation Agent in accordance with the preceding sentence; and
- (3) the Calculation Agent will be deemed to have discharged its obligations under subparagraph (vi) below if it has determined the Rate of Interest and Interest Amount payable on such Interest Payment Date in the manner provided in the preceding sentence.



(iv) *Screen Rate Determination*

Where so specified in the Final Terms, the Rate of Interest for each Specified Period will, subject as provided below, be either:

- (A) the offered quotation; or
- (B) the arithmetic mean (rounded, if necessary, to the nearest one thousandth of a percentage point, with 0.0005 being rounded upwards, if EURIBOR has been specified as Reference Rate in the Final Terms, or, if the specified Reference Rate is not EURIBOR, to the nearest one hundred thousandth of a percentage point, with 0.000005 being rounded upwards) of the offered quotations (expressed as a percentage rate per annum)

for deposits in the Specified Currency for such Specified Period which appears or appear, as the case may be, on the Relevant Screen Page (as specified in the Final Terms) as at 11:00 a.m. (if the Specified Currency is Euro, Brussels time, or, if the Specified Currency is not Euro, London time, or such other time as specified in the Final Terms) on the Interest Determination Date in question plus or minus the Margin (if any) (as specified in the Final Terms), all as determined by the Calculation Agent. If five or more such offered quotations are available on the Relevant Screen Page, the highest (or, if there is more than one such highest rate, one only of such rates) and the lowest (or, if there is more than one such lowest rate, one only of such rates) shall be disregarded by the Calculation Agent for the purpose of determining the arithmetic mean (rounded as provided above) of such offered quotations and this rule shall apply *mutatis mutandis* throughout this subparagraph.

If the Relevant Screen Page is not available or if, in the case of (A) above, no such quotation appears or, in the case of (B) above, fewer than three of such offered quotations appear, in each case as at such time, the Calculation Agent shall request, if the Specified Currency is Euro, the principal Euro zone office or, if the Specified Currency is not Euro, the principal London office (or the principal office at such other place as specified in the Final Terms) of each of the Reference Banks (as defined below) to provide the Calculation Agent with its offered quotation (expressed as a percentage rate per annum) for deposits in the Specified Currency for such Specified Period to leading banks in the, if the Specified Currency is Euro, Euro zone inter-bank market or, if the Specified Currency is not Euro, London inter-bank market (or the inter-bank market in such other financial center as specified in the applicable Final Terms) at approximately 11:00 a.m. (if the Specified Currency is Euro, Brussels time, or, if the Specified Currency is not Euro, London time, or such other time as specified in the Final Terms) on the Interest Determination Date. If two or more of the Reference Banks provide the Calculation Agent with such offered quotations, the Rate of Interest for such Specified Period shall be the arithmetic mean (rounded, if necessary, to the nearest one thousandth of a percentage point, with 0.0005 being rounded upwards, if EURIBOR has been specified as Reference Rate in the Final Terms, or, if the specified Reference Rate is not EURIBOR, to the nearest one hundred thousandth of a percentage point, with 0.000005 being rounded upwards) of such offered quotation plus or minus (as appropriate) the Margin (if any), all as determined by the Calculation Agent.

If on any Interest Determination Date one only or none of the Reference Banks provide the Calculation Agent with such offered quotations as provided in the preceding paragraph, the Rate of Interest for the Specified Period in question shall be the rate per annum which the Calculation Agent determines as being the arithmetic mean (rounded, if necessary, to the nearest one thousandth of a percentage point, with 0.0005 being rounded upwards, if EURIBOR has been specified as Reference Rate in the Final Terms, or, if the specified Reference Rate is not EURIBOR, to the nearest one hundred thousandth of a percentage point, with 0.000005 being rounded upwards) of the rates, as communicated to (and at the request of) the Calculation Agent by the Reference Banks or any two or more of them, at which such banks were offered, at approximately 11:00 a.m. (if the Specified Currency is Euro, Brussels time, or, if the Specified Currency is not Euro, London time, or such other time as specified in the Final Terms) on such Interest Determination Date, deposits in the Specified Currency for such Specified Period by leading banks in the, if the Specified Currency is Euro, Euro zone inter-bank market or, if the Specified Currency is not Euro, London inter-bank market (or the inter-bank market in such other financial center as specified in the Final Terms) plus or minus (as appropriate) the Margin (if any) or, if fewer than two of the Reference Banks provide the Calculation Agent with such offered rates, the offered rate for deposits in the Specified

Currency for such Specified Period, or the arithmetic mean (rounded as provided above) of the offered rates for deposits in the Specified Currency for such Specified Period, at which, on such Interest Determination Date, any one or more banks (which bank or banks is or are in the opinion of the Calculation Agent and the Issuer suitable for such purpose) informs the Calculation Agent that it is quoting to leading banks in the, if the Specified Currency is Euro, Euro zone inter-bank market or, if the Specified Currency is not Euro, London inter-bank market (or the inter-bank market in such other financial center as specified in the Final Terms) (or, as the case may be, the quotations of such bank or banks to the Calculation Agent) plus or minus (as appropriate) the Margin (if any), provided that, if the Rate of Interest cannot be determined in accordance with the foregoing provisions of this paragraph, the Rate of Interest shall be determined as at the last day preceding the Interest Determination Date on which such quotations were offered plus or minus (as appropriate) the Margin (if any) (though substituting, where a different Margin is to be applied to such Specified Period from that which applied to the last preceding Specified Period, the Margin relating to such Specified Period in place of the Margin relating to the last preceding Specified Period).

In this Condition 3, the expression “Reference Banks” means, in the case of (A) above, those banks whose offered rates were used to determine such quotation when such quotation last appeared on the Relevant Screen Page and, in the case of (B) above, those banks whose offered quotations last appeared on the Relevant Screen Page when no fewer than three such offered quotations appeared.

If the Reference Rate from time to time in respect of Floating Rate Notes is specified as being other than, if the Specified Currency is Euro, the Euro zone inter-bank offered rate or, if the Specified Currency is not Euro, the London inter-bank offered rate (or the inter-bank offered rate in such other financial center as specified in the applicable Final Terms), the Rate of Interest in respect of such Notes will be determined as provided in the Final Terms.

(v) *Minimum and/or Maximum Rate of Interest*

If the Final Terms specifies a minimum Rate of Interest for any Specified Period then, in the event that the Rate of Interest in respect of such Specified Period determined in accordance with the above provisions is less than the minimum Rate of Interest, the Rate of Interest for such Specified Period shall be the minimum Rate of Interest. If the Final Terms specifies a maximum Rate of Interest for any Specified Period then, in the event that the Rate of Interest in respect of such Specified Period determined in accordance with the above provisions is greater than the maximum Rate of Interest, the Rate of Interest for such Specified Period shall be the maximum Rate of Interest.

(vi) *Determination of Rate of Interest and Calculation of Interest Amount*

The Calculation Agent will, on or as soon as practicable after each time at which the Rate of Interest is to be determined, determine the Rate of Interest and calculate the amount of interest (the “Interest Amount”) payable on the Floating Rate Notes in respect of each Specified Denomination for the Specified Period in question. Each Interest Amount shall be calculated by applying the Rate of Interest and the Day Count Fraction to each Specified Denomination, and rounding the resultant figure, if the Specified Currency is a currency other than Euro, to the nearest sub-unit of the Specified Currency, one half of any such sub-unit being rounded upwards, and if the Specified Currency is Euro, to the nearest 0.01 Euro, 0.005 Euro being rounded upwards.

“Day Count Fraction” means, in respect of the calculation of an amount of interest on any Floating Rate Note for any period other than a full year from and including the most recent Interest Payment Date (or, if none, the Issue Date, or if different from the Issue Date, the Interest Commencement Date) to but excluding the relevant payment date (the “Calculation Period”):

- (A) if “Actual/365” or “Actual/Actual” is specified in the Final Terms, the actual number of days in the Calculation Period divided by 365 (or, if any portion of that Calculation Period falls in a leap year, the sum of (1) the actual number of days in that portion of the Calculation Period falling in a leap year divided by 366 and (2) the actual number of days in that portion of the Calculation Period falling in a non-leap year divided by 365);

- (B) if “Actual/365 (Fixed)” is specified in the Final Terms, the actual number of days in the Calculation Period divided by 365;
- (C) if “Actual/365 (Sterling)” is specified in the Final Terms, the actual number of days in the Calculation Period divided by 365 or, in the case of an Interest Payment Date falling in a leap year, 366;
- (D) if “Actual/360” is specified in the Final Terms, the actual number of days in the Calculation Period divided by 360;
- (E) if “30/360”, “360/360” or “Bond Basis” is specified in the Final Terms, the number of days in the Calculation Period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with twelve 30-day months (unless (1) the last day of the Calculation Period is the 31<sup>st</sup> day of a month but the first day of the Calculation Period is a day other than the 30<sup>th</sup> or 31<sup>st</sup> day of a month, in which case the month that includes that last day shall not be considered to be shortened to a 30-day month, or (2) the last day of the Calculation Period is the last day of the month of February, in which case the month of February shall not be considered to be lengthened to a 30-day month)); and
- (F) if “30E/360” or “Eurobond Basis” is specified in the Final Terms, the number of days in the Calculation Period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with twelve 30-day months, without regard to the date of the first day or last day of the Calculation Period unless, in the case of a Calculation Period ending on the Maturity Date, the Maturity Date is the last day of the month of February, in which case the month of February shall not be considered to be lengthened to a 30-day month).

*(vii) Notification of Rate of Interest and Interest Amount*

The Calculation Agent will cause the Rate of Interest, each Interest Amount in respect of each Specified Denomination for each Specified Period, each Specified Period, and the relating Interest Payment Date to be notified to the Issuer and, if required by the rules of any stock exchange on which the Floating Rate Notes are from time to time listed, to such stock exchange, and to be notified to the Noteholders in accordance with Condition 9 as soon as possible after their determination but in no event later than the fourth Business Day (as defined below) in London or such other financial center as specified in the applicable Final Terms. In respect of Notes listed on the Luxembourg Stock Exchange, such notification shall be made to the Luxembourg Stock Exchange on the first day of each Specified Period or each other period for which interest is required to be calculated. Each Interest Amount and Interest Payment Date so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without notice in the event of an extension or shortening of the Specified Period. Any such amendment will be promptly notified to any stock exchange on which the Floating Rate Notes are for the time being listed, if required, and to the Noteholders in accordance with Condition 9.

*(viii) Determinations to be Final*

All determinations made for the purpose of the provisions of this paragraph (b) by the Calculation Agent shall (in the absence of manifest error) be binding on the Issuer, the Issuing Agent, the other Paying Agents and all Noteholders and Couponholders.

**(c) *Index-Linked Interest Notes and Dual Currency Notes***

In the case of Index-Linked Interest Notes or Dual Currency Notes, if the rate or amount of interest falls to be determined by reference to an index, other factor and/or a formula or, as the case may be, a Rate of Exchange, the rate or amount of interest payable shall be determined in the manner specified in the Final Terms. Subparagraphs (b)(i), (v), (vi), (vii) and (viii) shall apply mutatis mutandis.

**(d) *Partly-Paid Notes***

In the case of Partly-Paid Notes, interest will accrue as aforesaid on the paid-up nominal amount of such Notes and otherwise as specified in the Final Terms.

**(e) *Accrual of Interest***

Each Note (or in the case of the redemption of part only of a Note, that part only of such Note) will cease to bear interest (if any) from the due date for such redemption unless, upon due presentation thereof, payment of principal is improperly withheld or refused. In such event, interest will continue to accrue beyond the due date until the actual redemption of the Note (or the respective part thereof) but not beyond the beginning of the fourteenth day after a notice has been given by the Issuing Agent in accordance with Condition 9 to the effect that the necessary funds for redemption have been provided to the Issuing Agent. The rate of interest shall in such case be the general rate of interest provided for the Note as specified in the Final Terms.

**4. *Redemption and Purchase***

**(a) *At Maturity***

Unless the Notes are Perpetual Notes, as set forth in the Final Terms, and unless previously redeemed in whole or in part or purchased and cancelled as specified below, each Note will be redeemed by the relevant Issuer at its Final Redemption Amount specified in, or determined in the manner specified in, the Final Terms in the relevant Specified Currency on the Maturity Date specified in the Final Terms (in the case of a Note other than a Floating Rate Note) or on the Interest Payment Date falling in the Redemption Month specified in the Final Terms (in the case of a Floating Rate Note).

**(b) *Final Terms***

The Final Terms in relation to any Series of Notes will specify either:

- (i) that the Notes cannot be redeemed prior to their Maturity Date or, if the Notes are Floating Rate Notes, the Interest Payment Date falling in the Redemption Month; or
- (ii) that the Notes will be redeemable at the option of the Issuer prior to the Maturity Date or, as the case may be, the Interest Payment Date falling in the Redemption Month in accordance with the provisions of paragraphs (c) and/or (d) below on the date or dates and at the amount or amounts specified in the Final Terms.

**(c) *Redemption at the Option of the Issuer***

If so specified in the Final Terms, the Issuer may, having (unless otherwise specified in the Final Terms) given not more than 60 nor less than 30 days' notice to the Issuing Agent and, in accordance with Condition 9, the Noteholders (which notice shall be irrevocable), redeem all or some only of the Notes then outstanding on the Optional Redemption Date(s) at the Optional Redemption Amount specified in, or determined in the manner specified in, the Final Terms together, if appropriate, with accrued interest. In the event of a redemption of some only of the Notes, such redemption must be of a principal amount being not lower than the Minimum Redemption Amount and not higher than the Maximum Redemption Amount, both as specified in the Final Terms. In the case of a partial redemption of the Notes, the Notes will be selected in accordance with the rules of the relevant Clearing System(s).

**(d) Installments**

If the Notes are repayable in installments, they will be redeemed in the Installment Amounts and on the Installment Dates specified in the Final Terms.

**(e) Purchases**

The Issuer or any of its affiliates may at any time purchase Notes in the market or otherwise. Notes purchased by the Issuer as aforesaid may, at the option of the Issuer, be held, resold or surrendered for cancellation.

**(f) Cancellation**

All Notes redeemed in full upon their becoming due and payable will be cancelled forthwith and may not be reissued or resold.

**(g) Late Payment on Zero Coupon Notes**

Should the Issuer fail to pay upon presentation of any Zero Coupon Note the amount due, interest at the rate of the Amortization or Accrual Yield specified in the Final Terms shall accrue from the due date until the actual redemption of such Zero Coupon Note, but not beyond the beginning of the fourteenth day after a notice has been given by the Issuing Agent in accordance with Condition 9 to the effect that the necessary funds for redemption have been provided to the Issuing Agent.

**5. Payments**

**(a) Method of Payment**

Subject as provided below:

- (i) payments of amounts due in respect of Notes denominated in a currency other than Euro will be made by transfer to an account in the Specified Currency (which expression shall mean the freely negotiable and convertible currency which on the respective due date is the legal tender in the country of the Specified Currency) maintained by the payee with, or by a cheque in the Specified Currency drawn on, a bank in the principal financial center of the country of the Specified Currency; and
- (ii) payments of amounts due in respect of Notes denominated in Euro will be made in Euro by transfer to a Euro account maintained by the payee with, or by a Euro cheque drawn on, a bank in a principal financial center of a country which on the due date for payment is a participating member state of the European Monetary Union; and
- (iii) no payment of principal or interest in respect of any Note shall be made at any office or agency in the United States, and no check in payment thereof shall be mailed to an address in the United States, nor shall any such payment be made by transfer to an account maintained by the payee with a bank in the United States. Notwithstanding the foregoing, such payments may be made at an office or agency located in the United States if such payments are to be made in U.S. dollars and if payment of the full amount so payable at each office of the Issuing Agent and each Paying Agent outside the United States appointed and maintained by the Issuer pursuant to the Agency Agreement is illegal or effectively precluded because of the imposition of exchange controls or other similar restrictions on the full payment or receipt of such amounts in U.S. dollars, and provided further, such payment is then permitted under United States law without involving, in the opinion of the Issuer, adverse tax consequences to the Issuer; and
- (iv) payments will be subject in all cases to applicable fiscal or other laws and regulations in the place of payment, but without prejudice to the provisions of Condition 7.

**(b) Presentation of Notes**

Payment of principal and interest (if any) in respect of the Notes will (subject as provided below) be made

to the Clearing System or to its order for credit to the account of the relevant account holders of the Clearing System and otherwise in the manner specified in the Global Note representing such Notes. Payment of principal in full, shall be made against surrender, payment of principal in part or interest against presentation of such Global Note at the specified office of the Issuing Agent.

The Issuer will be discharged by payment to, or to the order of, such Clearing System in respect of each amount so paid. Each of the persons shown in the records of such Clearing System as the holder of a particular principal amount of Notes must look solely to the Clearing System for its share of each payment so made by the Issuer.

**(c) *Payment Day***

If the date for payment of any amount in respect of any Note or Coupon is not (i) a day (other than a Saturday or a Sunday) on which commercial banks and foreign exchange markets are open for business (including dealings in foreign exchange and foreign currencies) in the place of presentation; and (ii) a Business Day (as defined below), then the holder thereof shall not be entitled to payment until the next such day in such place and shall not be entitled to further interest or other payment in respect of such delay.

“Business Day” means (unless otherwise specified in the Final Terms) a day which is:

- (A) in relation to Notes denominated in a currency other than Euro a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets are open for business in London and settle payments in the principal financial center of the country of the Specified Currency and such Additional Financial Center(s) (if any), as specified in the Final Terms; and
- (B) in relation to Notes denominated in Euro, a day on which “all relevant parts of the Trans-European Automated Real-time Gross settlement Express Transfer system (“TARGET”) are operational to effect the relevant payment and, if so specified in the Final Terms, a day on which commercial banks and foreign exchange markets are open for business and settle payments in such Additional Financial Center(s) as specified in the Final Terms.

**(d) *Interpretation of Principal and Interest***

Any reference in these Terms and Conditions to the “principal” or “principal amount” of the Notes shall be deemed to include, as applicable:

- (i) the Final Redemption Amount of the Notes;
- (ii) the Early Redemption Amount of the Notes;
- (iii) the Optional Redemption Amount(s) (if any) of the Notes;
- (iv) in relation to Notes redeemable in installments, the Installment Amounts; and
- (v) any premium and other amounts which may be payable under or in respect of the Notes.

**6. *Issuing Agent, Paying Agents and Calculation Agent***

The names of the initial Issuing Agent and Principal Paying Agent, the other initial Paying Agents and the initial Calculation Agent (if any, and provided that it is different from the Issuing Agent) and their initial specified offices are set out on the relevant Note.

The Issuer is entitled to vary or terminate the appointment of any Issuing Agent, Paying Agent or Calculation Agent (if any, and provided that it is different from the Issuing Agent) and/or appoint another Issuing Agent, additional or other Paying Agents or another Calculation Agent and/or approve any change in the specified office through which any Issuing Agent, Paying Agent or Calculation Agent (if any) acts, provided that:

- (i) so long as Notes are listed on the Luxembourg Stock Exchange, there will at all times be a Paying Agent with a specified office in Luxembourg;

- (ii) so long as Notes are listed on any further stock exchange, there will at all times be a Paying Agent with a specified office at the location of the exchange or such other location as may be required by the rules of such stock exchange;
- (iii) there will at all times be an Issuing Agent;
- (iv) to the extent that a Calculation Agent is required to be appointed, there will at all times be a Calculation Agent; and
- (v) the Issuer ensures that it maintains a Paying Agent in an EU Member State that will not be obliged to withhold or deduct tax pursuant to the European Union directive on taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive or law to the extent possible.

Any variation, termination, appointment or change shall only take effect (other than in the case of insolvency, when it shall be of immediate effect) after not less than 30 nor more than 45 days' prior notice thereof shall have been given to the Noteholders in accordance with Condition 9 provided that no such variation, termination, appointment or change shall take effect (except in the case of insolvency) within 15 days before or after any Interest Payment Date.

The Issuing Agent, the Paying Agents and the Calculation Agent (if any) act solely as agents of the Issuer and do not have any obligations towards or relationship of agency or trust to any Noteholder.

## **7. Taxation**

Principal and interest in respect of the Notes shall be payable without deduction or withholding for or on account of any present or future taxes, duties or governmental charges of any nature whatsoever imposed, levied or collected by or in the Federal Republic of Germany or, if the Notes are issued through a branch, the jurisdiction where such branch is established, or by or on behalf of any political subdivision or authority thereof or therein having power to tax, unless such deduction or withholding is required by law.

## **8. Presentation Period**

The presentation period provided in § 801 subparagraph 1 sentence 1 of the German Civil Code (*Bürgerliches Gesetzbuch*) is reduced to ten years for the Notes.

## **9. Notices**

- a) All notices concerning the Notes shall be given in accordance with legal requirements, including the giving of notice to the relevant Clearing System. In respect of Notes listed on the Luxembourg Stock Exchange this shall include publication in a newspaper with general circulation in Luxembourg (which is expected to be "d Wort") or on the internet site of the Luxembourg Stock Exchange ([www.bourse.lu](http://www.bourse.lu)). In respect of Notes listed on any other stock exchange and if the rules of such stock exchange so require, this shall include publication in accordance with the requirements of such stock exchange.
- b) Notices to be given by any Noteholder shall be in writing and given by lodging the same, together with the Note or Notes to which the notice relates, with the Issuing Agent.

## **10. Further Issues**

Unless otherwise specified in the Final Terms, the Issuer reserves the right from time to time without the consent of the Noteholders to issue additional notes with identical terms, so that the same shall be consolidated and form a single series with the Series comprising the Notes. The term "Notes" shall, in the event of such increase, also comprise all additionally issued notes.

## **11. Applicable Law, Place of Performance, Place of Jurisdiction and Enforcement**

- (a) The Notes, as to form and content, and all rights and duties of the Noteholders, the Issuer, the Issuing Agent, the other Paying Agents and the Calculation Agent shall in all respects be determined in accordance with the law of the Federal Republic of Germany.

- (b) The place of performance shall be Munich.
- (c) The place of jurisdiction for all proceedings arising out of or in connection with the Notes shall be Munich. The Noteholders, however, may also pursue their claims before any other courts having jurisdiction over the Issuer. The German courts shall have exclusive jurisdiction over the annulment of lost or destroyed Notes. The Issuer hereby submits to the jurisdiction of the courts referred to in this paragraph.
- (d) Any Noteholder may in any proceedings against the Issuer, or to which such Noteholder and the Issuer are parties, protect and enforce in his own name his rights arising under such Notes on the basis of (i) a statement issued by the Custodian with whom such Noteholder maintains a securities account in respect of the Notes (A) stating the full name and address of the Noteholder, (B) specifying the aggregate principal amount of Notes credited to such securities account on the date of such statement and (C) confirming that the Custodian has given written notice to the Clearing System containing the information pursuant to (A) and (B), and (ii) a copy of the Global Note certified as being a true copy by a duly authorized officer of the Clearing System or a depository of the Clearing System, without the need for production in such proceedings of the actual records or the Global Note. For purposes of the foregoing, “Custodian” means any bank or other financial institution of recognized standing authorized to engage in securities custody business with which the Noteholder maintains a securities account in respect of the Notes and includes the Clearing System.
- (e) Should any provision of these Terms and Conditions be or become void, the other provisions shall remain in force. Such provisions as are void or cannot be given effect shall be replaced in accordance with the meaning and purpose of these Terms and Conditions.



## VIII. TERMS AND CONDITIONS (REGISTERED PFANDBRIEFE)

*The following are the Terms and Conditions (Registered Pfandbriefe) (the “Terms and Conditions”) which (subject to completion and amendment and together with any documents herein incorporated by reference or required to be attached hereto) will be physically attached to each Note (as defined below). In relation to any Note, the Terms and Conditions are supplemented and amended by the applicable Final Terms (as defined below). The Final Terms in relation to any Note may specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with such Terms and Conditions, replace or modify such Terms and Conditions for the purpose of such Note. In lieu of modifying the Terms and Conditions by a Final Terms, any Note in registered form may be issued on alternative terms and conditions which will be physically attached to such Note. Capitalized terms used in the Terms and Conditions but not defined herein shall, in relation to any Note, have the meaning specified opposite such term in the applicable Final Terms. The Final Terms in relation to any Note will be physically attached to such Note.*

This Note represents a Mortgage Pfandbrief (*Hypothekenspfandbrief*) or Public Sector Pfandbrief (*Öffentlicher Pfandbrief*) (as specified in the Final Terms) in registered form (the “Note”). This Note is issued subject to an amended and restated Issuing and Paying Agency Agreement dated 30 August 2005 (the “Agency Agreement”), as amended and/or supplemented from time to time, between Hypo Real Estate Bank Aktiengesellschaft (“Hypo Real Estate”) (acting through its head office or one of its foreign branches, if any) as issuer (the “Issuer”) and Citibank, N.A., London office, as issuing agent, principal paying agent and registrar (where applicable) (the “Issuing Agent” and “Registrar”, which expression shall include any successor agent) and Banque Générale du Luxembourg S.A. as additional paying agent. The Issuing Agent shall also act as calculation agent (the “Calculation Agent”, which expression shall include any successor agent) (if any) unless otherwise specified in the Final Terms.

As used herein, the term “Noteholder” means any registered holder of the Note.

As used herein, the term “Final Terms” means the Final Terms attached to this Note. Should the Final Terms specify other terms and conditions inconsistent with these Terms and Conditions, the former shall replace or modify the latter to the extent specified in the Final Terms. The Terms and Conditions as supplemented, amended, replaced or modified by the Final Terms are hereinafter referred to as the “Conditions”.

As used herein, the term “Register” means the register to be maintained by the Registrar in relation to the Note and any other notes that may be issued by the Issuer pursuant to the Agency Agreement.

Any reference herein to the “Note” or “this Note” includes unless the context otherwise requires, any new Note that has been issued upon a transfer of this Note or a part thereof.

Copies of the Agency Agreement (which contains the form of Final Terms (Registered Pfandbriefe)) and the Final Terms applicable to the Note are available at the specified offices of the Issuing Agent and the Registrar.

### 1. Form

This Note is in registered form, in the aggregate principal amount specified in the Final Terms and denominated in the Specified Currency.

This Note is a Fixed Rate Note, a Floating Rate Note, a Zero Coupon Note, an Index-Linked Note or a Dual Currency Note or a combination of any of the foregoing, depending upon the Interest/Payment Basis specified in the Final Terms.

This Note bears the signatures of two authorized persons on behalf of the Issuer (which signatures may be facsimile signatures, and the manual signature of the *Treuhänder* for the Issuer appointed by the Federal Financial Supervisory Authority (*Bundesanstalt für Finanzdienstleistungsaufsicht*)). The Note shall also bear the handwritten signature of an authorized officer of the Issuing Agent.

## **2. Status of the Note**

The Note constitutes a direct, unconditional and unsubordinated obligation of the Issuer. The Note is covered by a pool of assets in accordance with the German Mortgage Bank Act (*Hypothekbankgesetz*) and as of 19 July 2005 in accordance with the German *Pfandbrief-Act* (*Pfandbriefgesetz*) and ranks at least *pari passu* with all other obligations of the Issuer arising from Mortgage *Pfandbriefe* (*Hypothekpfandbriefe*) or Public Sector *Pfandbriefe* (*Öffentliche Pfandbriefe*), as the case may be.

## **3. Transfer of the Note**

(a) The rights of the Noteholder evidenced by the Note and title to the Note itself pass by assignment and registration in the Register. Except as ordered by a court of competent jurisdiction or as required by law, the Issuer, the Fiscal Agent and the Registrar shall deem and treat the Noteholder as the absolute holder thereof and of the rights evidenced thereby.

(b) The rights of the Noteholder evidenced by the Note and title to the Note itself may be transferred in whole or in part upon the surrender of this Note together with the form of assignment endorsed on it duly completed and executed, at the specified office of the Registrar. In the case of a transfer of part only of the Note, a new Note in respect of the balance not transferred will be issued to the transferor. Any transfer of a part only of the Note is permitted only for the Minimum Principal Amount (specified in the Final Terms) or an integral multiple thereof.

(c) Each new Note to be issued upon transfer of the Note will, within seven business days (being, for the purposes of this paragraph, a day other than a Saturday and Sunday, on which banks are open for business in the place of the specified office of the Registrar) of delivery of the Note and the duly completed and executed form of assignment, be available for collection at the specified office of the Registrar, or, at the request of the Noteholder making such delivery and as specified in the relevant form of assignment, be mailed at the risk of the Noteholder entitled to the new Note to such address as may be specified in the form of assignment.

(d) Transfers will be effected without charge by or on behalf of the Issuer or the Registrar, but upon payment (or the giving of such indemnity as the Issuer or the Registrar may require in respect) of any tax or other duties which may be imposed in relation to it.

(e) The Noteholder may not require the transfer of the Note registered (i) during a period of 15 days ending on the due date for any payment of principal, (ii) during the period of 15 days prior to any date on which the Note may be redeemed at the option of the Issuer, or (iii) after the Note has been called for redemption in whole or in part.

## **4. Interest**

### **(a) Interest on a Fixed Rate Note**

(i) A Fixed Rate Note bears interest from (and including) the Issue Date or, if different from the Issue Date, the Interest Commencement Date to (but excluding) the Maturity Date specified in the Final Terms at the rate(s) per annum equal to the Fixed Rate(s) of Interest so specified payable on the Interest Payment Date(s) in each year and on the Maturity Date so specified if the Maturity Date does not fall on an Interest Payment Date. The first payment of interest will be made on the Interest Payment Date next following the Issue Date or, if different from the Issue Date, the Interest Commencement Date and, if the Interest Payment Date next following the Issue Date or, if different from the Issue Date, the Interest Commencement Date is not the first anniversary of the Issue Date or, if different from the Issue Date, the Interest Commencement Date, will amount to the initial Broken Amount specified in the Final Terms. If the Maturity Date is not an Interest Payment Date, interest from and including the preceding Interest Payment Date (or the Issue Date or, if different from the Issue Date, the Interest Commencement Date, as the case may be) to (but excluding) the Maturity Date will amount to the final Broken Amount specified in the Final Terms.

(ii) If interest is required to be calculated for a period of other than a full year, such interest shall be

calculated on the basis of the Day Count Fraction (as defined below), specified in the applicable Final Terms.

“Day Count Fraction” means, in respect of the calculation of an amount of interest for any period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (the “Calculation Period”):

- (A) if Actual/Actual (ISMA) is specified in the Final Terms:
  - (1) in the case of Notes where the number of days in the relevant Calculation Period is equal to or shorter than the Determination Period during which the Calculation Period ends, the number of days in such Calculation Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates (as specified in the Final Terms) that would occur in one calendar year; or
  - (2) in the case of Notes where the Calculation Period is longer than the Determination Period during which the Calculation Period ends, the sum of:
    - (α) the number of days in such Calculation Period falling in the Determination Period in which the Calculation Period begins divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates (as specified in the Final Terms) that would occur in one calendar year, and
    - (β) the number of days in such Calculation Period falling in the next Determination Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year; and
- (B) if “30/360” is specified in the Final Terms, the number of days in the relevant Calculation Period (such number of days being calculated on the basis of twelve 30-day months) divided by 360;

“Determination Period” means each period from (and including) a Determination Date to but excluding the next Determination Date (including, where either the Interest Commencement Date or the final Interest Payment Date is not a Determination Date, the period commencing on the first Determination Date prior to, and ending on the first Determination Date falling after, such date).

**(b) Interest on a Floating Rate Note**

**(i) Interest Payment Dates**

A Floating Rate Note bears interest from (and including) the Issue Date or, if different from the Issue Date, the Interest Commencement Date to (but excluding) the first Interest Payment Date (as defined below) and thereafter from (and including) each Interest Payment Date to (but excluding) the next following Interest Payment Date. Floating Rate Notes cease to bear interest on the Maturity Date. Interest will be payable on each interest payment date (each an “Interest Payment Date”). Interest Payment Date means (A) if Specified Interest Payment Dates are specified in the Final Terms, each such Specified Interest Payment Date or (B) if Specified Periods are specified in the Final Terms, each date which (except as otherwise specified in these Terms and Conditions or the Final Terms) falls the number of months or other period(s) specified as the Specified Period in the Final Terms after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the Issue Date or, if different from the Issue Date, the Interest Commencement Date. Unless otherwise specified in the Final Terms, if any Interest Payment Date would otherwise fall on a day which is not a Business Day (as defined in Condition 6(b)) and a day (other than a Saturday or a Sunday) on which commercial banks and foreign exchange markets are open for business in the Additional Business Center(s) specified in the Final Terms, the Interest Payment Date shall be determined as set forth below, in accordance with the Business Day Convention specified in the Final Terms.

- (A) If Modified Following Business Day Convention is specified in the Final Terms, the Interest Payment Date shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event the payment date shall be the immediately preceding Business Day.
- (B) If Floating Rate Convention is specified in the Final Terms, the Interest Payment Date shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event (1) the payment date shall be the immediately preceding Business Day and (2) each subsequent Interest Payment Date shall be the last Business Day in the month which falls the number of months or other periods specified in the Final Terms after the preceding applicable payment date.
- (C) If Following Business Day Convention is specified in the Final Terms, the Interest Payment Date shall be postponed to the next day which is a Business Day.
- (D) If Preceding Business Day Convention is specified in the Final Terms, the Interest Payment Date shall be the immediately preceding Business Day.

*(ii) Rate of Interest*

The Rate of Interest payable from time to time in respect of a Floating Rate Note will be determined in the manner specified in the Final Terms.

*(iii) ISDA Determination*

Where so specified in the Final Terms, interest will be payable on such dates and in such amounts as would have been payable by the relevant Issuer if it had entered into an interest rate swap transaction governed by an agreement in the form of the ISDA Master Agreement (an "ISDA Agreement") published by the International Swaps and Derivatives Association Inc. ("ISDA") and evidenced by a Confirmation (as defined in the ISDA Agreement) incorporating the 2000 ISDA Definitions (the "ISDA Definitions"), or any amended and supplemented set of ISDA Definitions, published by ISDA and both as physically attached to the Note with the Noteholder under which:

- (A) the Issuer was the Floating Rate Payer;
- (B) the Issuing Agent was the Calculation Agent;
- (C) the Issue Date or, if different from the Issue Date, the Interest Commencement Date was the Effective Date;
- (D) the aggregate principal amount of the Note was the Notional Amount;
- (E) the Interest Payment Dates were the Floating Rate Payer Payment Dates; and
- (F) all other terms were as specified in the Final Terms.

When the preceding sentence applies, in respect of each Interest Payment Date:

- (1) the amount of interest determined for such Interest Payment Date will be the Interest Amount for the Specified Period ending on such Interest Payment Date for the purposes of these Terms and Conditions as though determined under subparagraph (vi) below;
- (2) the Rate of Interest for such Specified Period will be the Floating Rate (as defined in the ISDA Definitions) determined by the Calculation Agent in accordance with the preceding sentence; and
- (3) the Calculation Agent will be deemed to have discharged its obligations under subparagraph (vi) below if it has determined the Rate of Interest and Interest Amount payable on such Interest Payment Date in the manner provided in the preceding sentence.

*(iv) Screen Rate Determination*

Where so specified in the Final Terms, the Rate of Interest for each Specified Period will, subject as provided below, be either:

- (A) the offered quotation; or
- (B) the arithmetic mean (rounded, if necessary, to the nearest one thousandth of a percentage point, with 0.0005 being rounded upwards, if EURIBOR has been specified as Reference Rate in the Final Terms, or, if the specified Reference Rate is not EURIBOR, to the nearest one hundred thousandth of a percentage point, with 0.000005 being rounded upwards) of the offered quotations (expressed as a percentage rate per annum)

for deposits in the Specified Currency for such Specified Period which appears or appear, as the case may be, on the Relevant Screen Page (as specified in the Final Terms) as at 11:00 a.m. (if the Specified Currency is Euro, Brussels time, or, if the Specified Currency is not Euro, London time, or such other time as specified in the Final Terms) on the Interest Determination Date in question plus or minus the Margin (if any) (as specified in the Final Terms), all as determined by the Calculation Agent. If five or more such offered quotations are available on the Relevant Screen Page, the highest (or, if there is more than one such highest rate, one only of such rates) and the lowest (or, if there is more than one such lowest rate, one only of such rates) shall be disregarded by the Calculation Agent for the purpose of determining the arithmetic mean (rounded as provided above) of such offered quotations and this rule shall apply *mutatis mutandis* throughout this subparagraph.

If the Relevant Screen Page is not available or if, in the case of (A) above, no such quotation appears or, in the case of (B) above, fewer than three of such offered quotations appear, in each case as at such time, the Calculation Agent shall request, if the Specified Currency is Euro, the principal Euro zone office or, if the Specified Currency is not Euro, the principal London office (or the principal office at such other place as specified in the Final Terms) of each of the Reference Banks (as defined below) to provide the Calculation Agent with its offered quotation (expressed as a percentage rate per annum) for deposits in the Specified Currency for such Specified Period to leading banks in the, if the Specified Currency is Euro, Euro zone inter-bank market or, if the Specified Currency is not Euro, the London inter-bank market (or the inter-bank market in such other financial center as specified in the applicable Final Terms) at approximately 11:00 a.m. (if the Specified Currency is Euro, Brussels time, or, if the Specified Currency is not Euro, London time, or such other time as specified in the Final Terms) on the Interest Determination Date. If two or more of the Reference Banks provide the Calculation Agent with such offered quotations, the Rate of Interest for such Specified Period shall be the arithmetic mean (rounded, if necessary, to the nearest one thousandth of a percentage point, with 0.0005 being rounded upwards, if EURIBOR has been specified as Reference Rate in the Final Terms, or, if the specified Reference Rate is not EURIBOR, to the nearest one hundred thousandth of a percentage point, with 0.000005 being rounded upwards) of such offered quotation plus or minus (as appropriate) the Margin (if any), all as determined by the Calculation Agent.

If on any Interest Determination Date one only or none of the Reference Banks provide the Calculation Agent with such offered quotations as provided in the preceding paragraph, the Rate of Interest for the Specified Period in question shall be the rate per annum which the Calculation Agent determines as being the arithmetic mean (rounded, if necessary, to the nearest one thousandth of a percentage point, with 0.0005 being rounded upwards, if EURIBOR has been specified as Reference Rate in the Final Terms, or, if the specified Reference Rate is not EURIBOR, to the nearest one hundred thousandth of a percentage point, with 0.000005 being rounded upwards) of the rates, as communicated to (and at the request of) the Calculation Agent by the Reference Banks or any two or more of them, at which such banks were offered, at approximately 11:00 a.m. (if the Specified Currency is Euro, Brussels time, or, if the Specified Currency is not Euro, London time, or such other time as specified in the Final Terms) on such Interest Determination Date, deposits in the Specified Currency for such Specified Period by leading banks in the, if the Specified Currency is Euro, Euro zone inter-bank market or, if the Specified Currency is not Euro, the London inter-bank market (or the inter-bank market in such other financial center as specified in the Final Terms) plus or minus (as appropriate) the Margin (if any) or, if fewer than two of the Reference Banks provide the Calculation Agent with such offered rates, the offered rate for deposits in the Specified Currency for such Specified Period, or the arithmetic mean (rounded as provided above) of the offered rates

for deposits in the Specified Currency for such Specified Period, at which, on such Interest Determination Date, any one or more banks (which bank or banks is or are in the opinion of the Calculation Agent and the Issuer suitable for such purpose) informs the Calculation Agent that it is quoting to leading banks in the, if the Specified Currency is Euro, Euro zone inter-bank market or, if the Specified Currency is not Euro, the London inter-bank market (or the inter-bank market in such other financial center as specified in the Final Terms) (or, as the case may be, the quotations of such bank or banks to the Calculation Agent) plus or minus (as appropriate) the Margin (if any), provided that, if the Rate of Interest cannot be determined in accordance with the foregoing provisions of this paragraph, the Rate of Interest shall be determined as at the last day preceding the Interest Determination Date on which such quotations were offered plus or minus (as appropriate) the Margin (if any) (though substituting, where a different Margin is to be applied to such Specified Period from that which applied to the last preceding Specified Period, the Margin relating to such Specified Period in place of the Margin relating to the last preceding Specified Period).

In this Condition 4, the expression “Reference Banks” means, in the case of (A) above, those banks whose offered rates were used to determine such quotation when such quotation last appeared on the Relevant Screen Page and, in the case of (B) above, those banks whose offered quotations last appeared on the Relevant Screen Page when no fewer than three such offered quotations appeared.

If the Reference Rate from time to time in respect of Floating Rate Notes is specified as being other than, if the Specified Currency is Euro, the Euro zone inter-bank offered rate or, if the Specified Currency is not Euro, the London inter-bank offered rate (or the inter-bank offered rate in such other financial center as specified in the applicable Final Terms), the Rate of Interest in respect of such Notes will be determined as provided in the Final Terms.

(v) *Minimum and/or Maximum Rate of Interest*

If the Final Terms specifies a minimum Rate of Interest for any Specified Period then, in the event that the Rate of Interest in respect of such Specified Period determined in accordance with the above provisions is less than the minimum Rate of Interest, the Rate of Interest for such Specified Period shall be the minimum Rate of Interest. If the Final Terms specifies a maximum Rate of Interest for any Specified Period then, in the event that the Rate of Interest in respect of such Specified Period determined in accordance with the above provisions is greater than the maximum Rate of Interest, the Rate of Interest for such Specified Period shall be the maximum Rate of Interest.

(vi) *Determination of Rate of Interest and Calculation of Interest Amount*

The Calculation Agent will, on or as soon as practicable after each time at which the Rate of Interest is to be determined, determine the Rate of Interest and calculate the amount of interest (the “Interest Amount”) payable on this Floating Rate Note in respect of each Specified Denomination for the Specified Period in question. Each Interest Amount shall be calculated by applying the Rate of Interest and the Day Count Fraction to each Specified Denomination, and rounding the resultant figure, if the Specified Currency is a currency other than Euro, to the nearest sub-unit of the Specified Currency, one half of any such sub-unit being rounded upwards, and if the Specified Currency is Euro, to the nearest 0.01 Euro, 0.005 Euro being rounded upwards.

“Day Count Fraction” means, in respect of the calculation of an amount of interest on any Floating Rate Note for any period other than a full year from and including the most recent Interest Payment Date (or, if none, the Issue Date, or if different from the Issue Date, the Interest Commencement Date) to but excluding the relevant payment date (the “Calculation Period”):

- (A) if “Actual/365” or “Actual/Actual” is specified in the Final Terms, the actual number of days in the Calculation Period divided by 365 (or, if any portion of that Calculation Period falls in a leap year, the sum of (1) the actual number of days in that portion of the Calculation Period falling in a leap year divided by 366 and (2) the actual number of days in that portion of the Calculation Period falling in a non-leap year divided by 365);
- (B) if “Actual/365 (Fixed)” is specified in the Final Terms, the actual number of days in the

Calculation Period divided by 365;

- (C) if “Actual/365 (Sterling)” is specified in the Final Terms, the actual number of days in the Calculation Period divided by 365 or, in the case of an Interest Payment Date falling in a leap year, 366;
- (D) if “Actual/360” is specified in the Final Terms, the actual number of days in the Calculation Period divided by 360;
- (E) if “30/360”, “360/360” or “Bond Basis” is specified in the Final Terms, the number of days in the Calculation Period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with twelve 30-day months (unless (1) the last day of the Calculation Period is the 31<sup>st</sup> day of a month but the first day of the Calculation Period is a day other than the 30<sup>th</sup> or 31<sup>st</sup> day of a month, in which case the month that includes that last day shall not be considered to be shortened to a 30-day month, or (2) the last day of the Calculation Period is the last day of the month of February, in which case the month of February shall not be considered to be lengthened to a 30-day month)); and
- (F) if “30E/360” or “Eurobond Basis” is specified in the Final Terms, the number of days in the Calculation Period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with twelve 30-day months, without regard to the date of the first day or last day of the Calculation Period unless, in the case of a Calculation Period ending on the Maturity Date, the Maturity Date is the last day of the month of February, in which case the month of February shall not be considered to be lengthened to a 30-day month).

*(vii) Notification of Rate of Interest and Interest Amount*

The Calculation Agent will cause the Rate of Interest, each Interest Amount for each Specified Period, each Specified Period, and the relating Interest Payment Date to be notified to the Issuer and to the Noteholders in accordance with Condition 11 as soon as possible after their determination but in no event later than the fourth Business Day (as defined below) in London or such other financial center as specified in the applicable Final Terms. Each Interest Amount and Interest Payment Date so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without notice in the event of an extension or shortening of the Specified Period. Any such amendment will be promptly notified to the Noteholders in accordance with Condition 11.

*(viii) Determinations to be Final*

All determinations made for the purpose of the provisions of this paragraph (b) by the Calculation Agent shall (in the absence of manifest error) be binding on the Issuer, the Issuing Agent, the Registrar and all Noteholders.

**(c) Index-Linked Interest Note and Dual Currency Note**

In the case of an Index-Linked Interest Note or Dual Currency Note, if the rate or amount of interest falls to be determined by reference to an index, other factor and/or a formula or, as the case may be, a Rate of Exchange, the rate or amount of interest payable shall be determined in the manner specified in the Final Terms. Subparagraphs (b)(i), (v), (vi), (vii) and (viii) shall apply mutatis mutandis.

**(d) Partly-Paid Note**

In the case of a Partly-Paid Note, interest will accrue as aforesaid on the paid-up nominal amount of such Note and otherwise as specified in the Final Terms.

**(e) Accrual of Interest**

The Note (or in the case of the redemption of part only of a Note, that part only of such Note) will cease to bear interest (if any) from the due date for such redemption unless, upon due presentation thereof, payment of principal is improperly withheld or refused. In such event, interest will continue to accrue beyond the

due date until the actual redemption of the Note (or the respective part thereof) but not beyond the beginning of the fourteenth day after a notice has been given by the Issuing Agent in accordance with Condition 11 to the effect that the necessary funds for redemption have been provided to the Issuing Agent. The rate of interest shall in such case be the general rate of interest provided for the Note as specified in the Final Terms.

## **5. Redemption and Purchase**

### **(a) At Maturity**

Unless the Notes are Perpetual Notes, as set forth in the Final Terms, and unless previously redeemed in whole or in part or purchased and cancelled as specified below, the Note will be redeemed by the Issuer at its Final Redemption Amount specified in, or determined in the manner specified in, the Final Terms in the Specified Currency on the Maturity Date specified in the Final Terms (in the case of a Note other than a Floating Rate Note) or on the Interest Payment Date falling in the Redemption Month specified in the Final Terms (in the case of a Floating Rate Note).

### **(b) Final Terms**

The Final Terms in relation to any Note will specify either:

- (i) that the Note cannot be redeemed prior to its Maturity Date or, if the Note is a Floating Rate Note, the Interest Payment Date falling in the Redemption Month; or
- (ii) that the Note will be redeemable at the option of the Issuer prior to the Maturity Date or, as the case may be, the Interest Payment Date falling in the Redemption Month in accordance with the provisions of paragraphs (c) and/or (d) below on the date or dates and at the amount or amounts specified in the Final Terms.

### **(c) Redemption at the Option of the Issuer**

If so specified in the Final Terms, the Issuer may, having (unless otherwise specified in the Final Terms) given not more than 60 nor less than 30 days' notice to the Issuing Agent and, in accordance with Condition 11, the Noteholders (which notice shall be irrevocable), the Note then outstanding in whole or in part on the Optional Redemption Date(s) at the Optional Redemption Amount specified in, or determined in the manner specified in, the Final Terms together, if appropriate, with accrued interest. In the event of a redemption of the Note in part, such redemption must be of a nominal amount being not lower than the Minimum Redemption Amount and not higher than the Maximum Redemption Amount, both as specified in the Final Terms.

### **(d) Installments**

If the Note is repayable in installments, it will be redeemed in the Installment Amounts and on the Installment Dates specified in the Final Terms.

### **(e) Purchases**

The Issuer or any of its affiliates may at any time purchase the Note. The Note purchased by the Issuer as aforesaid may, at the option of the Issuer, be held, resold or surrendered for cancellation.

### **(f) Cancellation**

The Note redeemed in full upon its becoming due and payable will be cancelled forthwith and may not be reissued or resold.

### **(g) Late Payment on Zero Coupon Notes**

Should the Issuer fail to pay upon presentation of a Zero Coupon Note the amount due, interest at the rate of the Amortization or Accrual Yield specified in the Final Terms shall accrue from the due date until the



actual redemption of such Zero Coupon Note, but not beyond the beginning of the fourteenth day after a notice has been given by the Issuing Agent in accordance with Condition 11 to the effect that the necessary funds for redemption have been provided to the Issuing Agent.

## **6. Payments**

Payment of principal and interest in respect of the Note shall be made on the respective due date therefor to the person shown on the Register as the Noteholder at the close of business on the fifteenth Business Day before such due date (the “Record Date”).

### **(a) Method of Payment**

Subject as provided below:

- (i) payments of amounts due in respect of Notes denominated in a currency other than Euro will be made by transfer to an account in the Specified Currency (which expression shall mean the freely negotiable and convertible currency which on the respective due date is the legal tender in the country of the Specified Currency) maintained by the payee with a bank in the principal financial center of the country of the Specified Currency notified to the Issuing Agent no later than the Record Date; and
- (ii) payments of amounts due in respect of Notes denominated in Euro will be made in Euro by transfer to a Euro account maintained by the payee with a bank in a principal financial center of a country which on the due date for payment is a participating member state of the European Monetary Union notified to the Issuing Agent no later than the Record Date;
- (iii) payment will be subject in all cases to applicable fiscal or other laws and regulations in the place of payment, but without prejudice to the provisions of Condition 8.

### **(b) Payment Day**

If the date for payment in respect of any Note is not (i) a day (other than a Saturday or a Sunday) on which commercial banks and foreign exchange markets are open for business (including dealings in foreign exchange and foreign currencies) in the principal financial center of the country where the account of the payee is maintained in accordance with the foregoing and (ii) a Business Day (as defined below), then the Noteholder shall not be entitled to payment until the next such payment day in such place and shall not be entitled to further interest or other payment in respect of such delay.

“Business Day” means (unless otherwise specified in the Final Terms) a day which is:

- (i) in relation to a Note denominated in a currency other than Euro a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets are open for business in London and settle payments in the principal financial center of the country of the Specified Currency and such Additional Financial Center(s) (if any), as specified in the Final Terms; and
- (ii) in relation to a Note denominated in Euro, a day on which all relevant parts of the Trans-European Automated Real-time Gross settlement Express Transfer system (“TARGET”) are operational to effect the relevant payment and, if so specified in the Final Terms, a day on which commercial banks and foreign exchange markets are open for business and settle payments in such Additional Financial Center(s) as specified in the Final Terms.

### **(c) Interpretation of Principal and Interest**

Any reference in these Terms and Conditions to the “principal” or “principal amount” of the Note shall be deemed to include, as applicable:

- (i) the Final Redemption Amount of the Note;
- (ii) the Optional Redemption Amount(s) (if any) of the Note;

- (iii) in relation to a Note redeemable in installments, the Installment Amounts; and
- (iv) any premium and other amounts which may be payable under or in respect of the Note.

#### **7. Issuing Agent, Registrar and Calculation Agent**

The names of the initial Issuing Agent and Registrar and the initial Calculation Agent (if any, and provided that it is different from the Issuing Agent) and their initial specified offices are set out on the relevant Note.

The Issuer is entitled to vary or terminate the appointment of any Issuing Agent and Registrar or Calculation Agent (if any, and provided that it is different from the Issuing Agent) and/or appoint another Issuing Agent and Registrar or Calculation Agent and/or approve any change in the specified office through which any Issuing Agent and Registrar and Registrar or Calculation Agent (if any) acts, provided that:

- (i) there will at all times be an Issuing Agent and Registrar; and
- (ii) to the extent that a Calculation Agent is required to be appointed, there will at all times be a Calculation Agent.

Any variation, termination, appointment or change shall only take effect (other than in the case of insolvency, when it shall be of immediate effect) after not less than 30 nor more than 45 days' prior notice thereof shall have been given to the Noteholder in accordance with Condition 11 provided that no such variation, termination, appointment or change shall take effect (except in the case of insolvency) within 15 days before or after any Interest Payment Date, as the case may be.

The Issuing Agent, the Registrar and the Calculation Agent (if any) act solely as agents of the Issuer and do not have any obligations towards or relationship of agency or trust to any Noteholder.

#### **8. Taxation**

Principal and interest in respect of this Note shall be payable without deduction or withholding for or on account of any present or future taxes, duties or governmental charges of any nature whatsoever imposed, levied or collected by or in the Federal Republic of Germany or, if any Note is issued through a branch, the jurisdiction where such branch is established, or by or on behalf of any political subdivision or authority thereof or therein having power to tax, unless such deduction or withholding is required by law.

#### **9. Replacement of the Note**

If this Note is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the specified office of the Registrar upon payment by the applicant of such costs and expenses as may be incurred in connection therewith and on such terms as to evidence and indemnity as the Issuer may reasonably require. A mutilated or defaced Note must be surrendered before a replacement Note will be issued.

#### **10. Prescription Period**

The obligations of the Issuer to pay principal and interest in respect of this Note shall be prescribed (i) in respect of principal upon the expiry of 10 years following the respective due date for the payment of principal and (ii) in respect of interest upon the expiry of 4 years following the respective due date for the relevant payment of interest.

#### **11. Notices**

Notices to the Noteholder may be given, and are valid if given, by post or fax at the address or fax number of the Noteholder appearing in the Register.

#### **12. Applicable Law, Place of Performance and Place of Jurisdiction**

- (a) This Note, as to form and content, and all rights and duties of the Noteholders, the Issuer, the Issuing Agent, the Registrar and the Calculation Agent shall in all respects be subject to the law of the Federal Republic of Germany.

- (b) The place of performance shall be Munich.
- (c) The place of jurisdiction for all proceedings arising out of or in connection with this Note shall be Munich. The Noteholder, however, may also pursue its claims before any other courts having jurisdiction over the Issuer. The Issuer hereby submits to the jurisdiction of the courts referred to in this paragraph.
- (d) Should any provision of these Terms and Conditions be or become void, the other provisions shall remain in force. Such provisions as are void or cannot be given effect shall be replaced in accordance with the meaning and purpose of these Terms and Conditions.

## **IX. FORMS OF FINAL TERMS**

Each Tranche of Notes in bearer form (“Bearer Notes”) or Pfandbriefe, which are (as indicated in the applicable Final Terms (Bearer Notes)) (i) subject to the TEFRA D Rules, (ii) subject to the TEFRA C Rules and exchangeable for Definitive Notes or (iii) neither subject to the TEFRA C Rules nor the TEFRA D Rules and exchangeable for Definitive Notes, will initially be represented by a Temporary Global Note, together with the Terms and Conditions (Bearer Notes) as supplemented or amended by the Final Terms (Bearer Notes) relating to such Tranche attached thereto. Each Tranche of Bearer Notes other than Pfandbriefe, which are (as indicated in the applicable Final Terms (Bearer Notes)) (i) subject to the TEFRA C Rules and not exchangeable for Definitive Notes or (ii) neither subject to the TEFRA C Rules nor the TEFRA D Rules and not exchangeable for Definitive Notes will be represented by a Permanent Global Note, without interest coupons or talons, together with the Terms and Conditions (Bearer Notes) as supplemented or amended by the Final Terms (Bearer Notes) relating to such Tranche attached thereto. Each Temporary Global Note and Permanent Global Note will be delivered to a common depository for Euroclear and Clearstream, Luxembourg or a depository for any Alternative Clearing System (as specified in the applicable Final Terms). A Temporary Global Note will be exchanged, in accordance with its terms, for (i) a Permanent Global Note or (ii) Definitive Notes or (iii) to the extent that Euroclear and Clearstream, Luxembourg and/or the relevant Alternative Clearing System so permit, in part Definitive Notes and in part Collective Notes.

Each Tranche of Pfandbriefe in bearer form (“Bearer Pfandbriefe”), which are (as indicated in the applicable Final Terms (Bearer Pfandbriefe)) subject to the TEFRA D Rules, will initially be represented by a Temporary Global Pfandbrief, together with the Terms and Conditions (Bearer Pfandbriefe) as supplemented or amended by the Final Terms (Bearer Pfandbriefe) relating to such Tranche attached thereto. Each Tranche of Pfandbriefe in bearer form, which are (as indicated in the applicable Final Terms (Bearer Pfandbriefe)) (i) subject to the TEFRA C Rules or (ii) neither subject to the TEFRA C Rules nor the TEFRA D Rules will be represented by a Permanent Global Pfandbrief, together with the Terms and Conditions (Bearer Pfandbriefe) as supplemented or amended by the Final Terms (Bearer Pfandbriefe) relating to such Tranche attached thereto. The Temporary Global Pfandbrief and the Permanent Global Pfandbrief will be delivered to a common depository for Euroclear and Clearstream, Luxembourg or a depository for any Alternative Clearing System. A Temporary Global Pfandbrief will be exchanged, in accordance with its terms, for a Permanent Global Pfandbrief, together with the Terms and Conditions (Bearer Pfandbriefe) as supplemented or amended by the Final Terms (Bearer Pfandbriefe) relating to such Tranche attached thereto.

A Temporary Global Note or a Temporary Global Pfandbrief, as the case may be, representing TEFRA D Notes will be so exchanged on or after the date (the “Exchange Date”) which is 40 days after the date on which the Temporary Global Note or the Temporary Global Pfandbrief, as the case may be, is issued, in each case against certification of non-U.S. beneficial ownership as required by U.S. Treasury regulations in accordance with the terms of the Temporary Global Note or the Temporary Global Pfandbrief, as the case may be, unless certification has already been given pursuant to the second sentence of this paragraph. Whilst any Note which is subject to the TEFRA D Rules is represented by a Temporary Global Note or a Temporary Global Pfandbrief, as the case may be, payments of principal and interest (if any) due prior to the Exchange Date will be made against presentation of the Temporary Global Note only to the extent that certification of non-U.S. beneficial ownership as required by U.S. Treasury regulations (in the form set out in the Temporary Global Note or the Temporary Global Pfandbrief, as the case may be) has been received by Euroclear and/or Clearstream, Luxembourg. The holder of the Temporary Global Note or the Temporary Global Pfandbrief, as the case may be, will not be entitled to collect any payment of interest or principal due on or after the Exchange Date. Pursuant to the Agency Agreement, the Issuing Agent shall arrange that, where a further Tranche of Notes is issued, the Notes of such Tranche shall be assigned security code numbers of Euroclear and Clearstream, Luxembourg and, if applicable, any Alternative Clearing System which are different from the security code numbers assigned to Notes of any other Tranche of the same Series until at least 40 days after the completion of the distribution of the Notes of such Tranche as certified by the Issuing Agent to the relevant Dealer(s).

Payments of principal and interest (if any) on a Temporary Global Note or a Temporary Global Pfandbrief, as the case may be, representing Notes which are not subject to the TEFRA D Rules and on a Permanent Global Note or a Temporary Global Pfandbrief, as the case may be, will be made through Euroclear and Clearstream, Luxembourg and, if applicable, any Alternative Clearing System against presentation or surrender (as the case may be) of such Global Note without any requirement for certification.

Each issue of Pfandbriefe in registered form will be represented by a single Registered Pfandbrief, together with the Terms and Conditions (Registered Pfandbriefe) as supplemented or amended by the Final Terms (Registered Pfandbriefe) relating to such issue attached thereto. Registered Pfandbriefe will not be delivered to Euroclear or Clearstream, Luxembourg or any Alternative Clearing System.

The following legend will appear on all Global Notes and Definitive Notes representing Notes which are subject to the TEFRA D Rules, as well as on interest coupons attached to such Notes:

“Any United States person (as defined in the Internal Revenue Code of the United States) who holds this obligation will be subject to limitations under the United States income tax laws including the limitations provided in Sections 165(j) and 1287(a) of the Internal Revenue Code”.

The sections referred to above provide that United States holders, with certain exceptions, will not be entitled to deduct any loss on Notes or interest coupons and will be entitled to capital gains treatment of any gain on any sale, disposition or payment of principal in respect of Notes or interest coupons.

## 1. Final Terms (Bearer Notes)

The Final Terms relating to each Tranche of Bearer Notes (other than Pfandbriefe) will contain such of the following information as is applicable in respect of such Notes.

**[Potential purchasers of these Notes should be aware that [the amounts of interest] [and] [the return of principal on these Notes] is linked to the performance of [an index] [,] [an factor][and/or] [a formula], as more fully set out herein. [Nevertheless, in no circumstances may the Notes be redeemed for less than par.]]\***

\* *Insert for Index-Linked Notes.*

[Date]

Hypo Real Estate Bank Aktiengesellschaft

[acting through its [Place of Branch] branch]

Issue of [Aggregate Principal Amount of Tranche][Title of Notes]  
under the

**Euro 25,000,000,000**

**Debt Issuance Program**

**Hypo Real Estate Bank Aktiengesellschaft**

This document constitutes the Final Terms relating to the issue of Notes described herein for the purposes of Article 5.4 of the Prospectus Directive (Directive 2003/71/EC) (the “Prospectus Directive”). Terms used herein shall be deemed to be defined as such for the purposes of the Terms and Conditions (Bearer Notes) set forth in the Debt Issuance Program Prospectus dated 15 May 2006 [and supplemented on •]. This Final Terms must be read in conjunction with such Debt Issuance Program Prospectus [as so supplemented]. Full information is only available on the basis of the combination of these Final Terms and the Debt Issuance Program Prospectus [as so supplemented]. The Debt Issuance Program Prospectus[, the Supplements] and the Final Terms have been published on the website of the Issuer (<http://www.hyporealestatebank.de>) [and on the website of the Luxembourg Stock Exchange].

*[The following alternative language applies if the first tranche of an issue which is being increased was issued under a Prospectus with an earlier date.*

This document constitutes the Final Terms relating to the issue of Notes described herein for the purposes of Article 5.4 of the Prospectus Directive (Directive 2003/71/EC) (the “Prospectus Directive”). Terms used herein shall be deemed to be defined as such for the purposes of the Terms and Conditions (Bearer Notes) set forth in the Debt Issuance Program Prospectus dated 15 May 2006 [and supplemented on •]. The Final Terms are to be read in conjunction with the Debt Issuance Program Prospectus dated 15 May 2006 [and supplemented on •], save in respect of the Terms and Conditions which are extracted from the [Prospectus] dated [original date] [and supplemented on •] and are attached hereto. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Debt Issuance Program Prospectus dated 15 May 2006 [and supplemented on •] and the [Prospectus] dated [original date] [and supplemented on •]. The Debt Issuance Program Prospectus[, the Supplements] and the Final Terms have been published on the website of the Issuer (<http://www.hyporealestatebank.de>) [and on the website of the Luxembourg Stock Exchange].]

## PART A - CONTRACTUAL TERMS

*[Include whichever of the following apply or specify as “Not Applicable” (N/A). Note that the numbering should remain as set out below, even if “Not Applicable” is indicated for individual paragraphs or subparagraphs. Italics denote directions for completing the Final Terms. If this form of Final Terms refers to the minimum denomination of Notes in Euros the same applies for Notes issued in currencies other than Euros if the minimum denomination is nearly equivalent to the amount in Euros. If this form of Final Terms refers to Notes with a minimum denomination of Euro 50,000 then the directions apply only if the redemption at par is guaranteed.]*

*[If the Notes must be redeemed before the first anniversary of their date of issue the minimum denomination may need to be £100,000 or its equivalent in any other currency.]*

### GENERAL INFORMATION

1. Issuer [ ]
2. [(i)] Series Number: [ ]  
[(ii)] Tranche Number: [ ]  
(If fungible with an existing Series, details of that Series, including the date on which the Notes become fungible.)
3. Specified Currency or Currencies: [ ]
4. Aggregate Principal Amount: [ ]  
[(i)] Series: [ ]  
[(ii)] Tranche: [ ]

### DESCRIPTION OF THE ISSUE

5. [(i)] Issue Price: [ ] per cent. of the Aggregate Principal Amount [plus accrued interest from *[insert date]* (in the case of fungible issues only, if applicable)]
6. Specified Denomination(s): [ ]  
*(minimum Euro 1,000)*
7. [(i)] Issue Date: [ ]  
[(ii)] Interest Commencement Date (if different from the Issue Date): [ ]
8. Maturity Date: *[specify date or (for Floating Rate Notes) Interest Payment Date falling in the relevant month and year]*
9. Interest Basis: [●% Fixed Rate]  
[[specify reference rate] +/- ●% Floating Rate]  
[Zero Coupon]  
[Index-Linked Interest]  
[Other (specify)]  
(further particulars specified below)
10. Redemption/Payment Basis: [Redemption at par]  
[Index-Linked Redemption]  
[Dual Currency]

- [Partly Paid]  
 [Installment]  
 [Other (*specify*)]
11. Change of Interest or Redemption/Payment Basis: [Specify details of any provision for convertibility of Notes into another interest or redemption/payment basis]
12. Put/Call Options: [Investor Put]  
 [Issuer Call]  
 [(further particulars specified below)]
13. Status of the Notes: [Senior/[Dated/Perpetual]/Subordinated]
14. Method of distribution: [Syndicated/Non-syndicated]

**PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE**

15. **Fixed Rate Note Provisions** [Applicable/Not Applicable]  
 (If not applicable, delete the remaining sub-paragraphs of this paragraph)
- (i) Rate[(s)] of Interest: [ ] per cent. per annum  
 [payable [annually/ semi-annually/quarterly/monthly] in arrear]
- (ii) Interest Payment Date(s): [ ] in each year
- (iii) Fixed Coupon Amount[(s)]: [ ] per [ ]  
 in Principal Amount
- (iv) Broken Amount(s): [Insert particulars of any initial or final broken interest amounts which do not correspond with the Fixed Coupon Amount[(s)]]
- (v) Fixed Day Count Fraction: [30/360 or Actual/Actual (ISMA) or specify other]
- (vi) Determination Date(s): [ ] in each year  
 [Insert interest payment dates except where there are long or short periods. In these cases, insert regular interest payment dates]  
 (NB: Only relevant where Day Count Fraction is Actual/Actual (ISMA))
- (vii) Other terms relating to the method of calculating interest for Fixed Rate Notes: [Not Applicable/give details]

16. **Floating Rate Note Provisions** [Applicable/Not Applicable]  
 (If not applicable, delete the remaining sub-paragraphs of this paragraph. Also consider whether Euro BBA LIBOR or EURIBOR is the appropriate reference rate)
- (i) Specified Period(s)/Specified Interest Payment Dates: [ ]
- (ii) Business Day Convention: [Floating Rate Convention/Following Business Day Convention/Modified Following Business Conven-



	tion/Preceding Business Day Convention/other ( <i>give details</i> )
(iii) Additional Business Center(s):	[ ]
(iv) Manner in which the Rate(s) of Interest is/are to be determined:	[Screen Rate Determination/ISDA Determination/other ( <i>give details</i> )]
(v) Calculation Agent responsible for calculating the Rate(s) of Interest and Interest Amount(s) (if not the Issuing Agent):	[ ]
(vi) Screen Rate Determination:	
—Reference Rate:	[ ]
—Interest Determination Date(s):	[ ]
—Relevant Screen Page and time:	[ ]
(vii) ISDA Determination:	
—Floating Rate Option:	[ ]
—Designated Maturity:	[ ]
—Reset Date:	[ ]
(viii) Margin(s):	[+/-][ ] per cent. per annum
(ix) Minimum Rate of Interest:	[ ] per cent. per annum
(x) Maximum Rate of Interest:	[ ] per cent. per annum
(xi) Floating Day Count Fraction:	[ ]
(xii) Fall back provisions, rounding provisions, denominator and any other terms relating to the method of calculating interest on Floating Rate Notes, if different from those set out in the Conditions:	[ ]
<b>17. Zero Coupon Note Provisions</b>	[Applicable/Not Applicable] ( <i>If not applicable, delete the remaining sub-paragraphs of this paragraph</i> )
(i) [Amortization/Accrual] Yield:	[ ] per cent. per annum
(ii) Reference Price:	[ ]
(iii) Any other formula/basis of determining amount payable:	[ ]
<b>18. Index-Linked Interest Note Provisions</b>	[Applicable/Not Applicable] ( <i>If not applicable, delete the remaining sub-paragraphs of this paragraph</i> )
(i) Index/other factor/formula:	[ <i>give or annex details</i> ]
(ii) Calculation Agent responsible for calculating the rate and amount of interest due:	[ ]
(iii) Provisions for determining Coupon where calculated by reference to an index, other factor and/or formula:	[ ]
(iv) Determination Date(s):	[ ]
(v) Provisions for determining the rate and amount of interest due where calculation by reference to an index, other factor and/or formula is impossible or impracticable:	[ ]
(vi) Interest or calculation period(s):	[ ]

- (vii) Specified Interest Payment Dates: [ ]
- (viii) Business Day Convention: [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/ other (*give details*)]
- (ix) Additional Business Center(s): [ ]
- (x) Minimum Rate/Amount of Interest: [ ] per cent. per annum
- (xi) Maximum Rate/Amount of Interest: [ ] per cent. per annum
- (xii) Day Count Fraction: [ ]

**19. Dual Currency Note Provisions**

[Applicable/Not Applicable]

*(If not applicable, delete the remaining sub-paragraphs of this paragraph)*

- (i) Rate of Exchange/method of calculating Rate of Exchange: [*give details*]
- (ii) Calculation Agent, if any, responsible for calculating the principal and/or interest due: [ ]
- (iii) Provisions for determining the rate and amount of interest due where calculation by reference to Rate of Exchange is impossible or impracticable: [ ]
- (iv) Person at whose option Specified Currency(ies) is/are payable: [ ]

**PROVISIONS RELATING TO REDEMPTION**

**20. Call Option**

[Applicable/Not Applicable]

*(If not applicable, delete the remaining sub-paragraphs of this paragraph)*

- (i) Optional Redemption Date(s): [ ]
- (ii) Optional Redemption Amount(s) and method, if any, of calculation of such amount(s): [ ]
- (iii) If redeemable in part:
  - (a) Minimum Redemption Amount [ ]
  - (b) Maximum Redemption Amount: [ ]
- (iii) Notice period (if other than as set out in the Conditions): [ ]

**21. Put Option**

[Applicable/Not Applicable]

*(If not applicable, delete the remaining sub-paragraphs of this paragraph)*

- (i) Optional Redemption Date(s): [ ]
- (ii) Optional Redemption Amount(s) and method, if any, of calculation of such amount(s): [ ]
- (iii) Notice period (if other than as set out in the Conditions): [ ]

**22. Final Redemption Amount**

[Par/other/see Appendix]

In cases where the Final Redemption Amount is Index-Linked:

- (i) Index/other factor/formula: [give or annex details]
- (ii) Calculation Agent responsible for calculating the Final Redemption Amount: [ ]
- (iii) Provisions for determining the Final Redemption Amount where calculated by reference to an index, other factor and/or formula: [ ]
- (iv) Determination Date(s): [ ]
- (v) Provisions for determining the Final Redemption Amount where calculation by reference to index, other factor and/or formula is impossible or impracticable or otherwise disrupted: [ ]
- (vi) Payment Date: [ ]
- (vii) Minimum Final Redemption Amount: [ ]
- (viii) Maximum Final Redemption Amount: [ ]

23. **Early Redemption Amount**

Early Redemption Amount(s) payable on redemption for taxation reasons or on event of default and/or the method of calculating the same (if required or if different from that set out in the Conditions): [ ]

## GENERAL PROVISIONS APPLICABLE TO THE NOTES

24. Form of Notes: [TEFRA D Rules:  
[Temporary Global Note exchangeable for a Permanent Global Note.]  
[Temporary Global Note exchangeable for Definitive Notes/Definitive Notes and Collective Global Note.]]  
[TEFRA C Rules:  
[Permanent Global Note]  
[Temporary Global Note exchangeable for Definitive Notes/Definitive Notes and Collective Global Note(s).]]  
[Neither TEFRA D nor TEFRA C Rules:<sup>1</sup>  
[Permanent Global Note]  
[Temporary Global Note exchangeable for Definitive Notes/Definitive Notes and Collective Global Note.]]
25. Additional Financial Center(s) or other special provisions relating to Payment Dates: [Not Applicable/give details. *Note that this item relates to the place of payment, and no interest period end dates, to which item 16(iii) relates]*
26. Talons for future Coupons to be attached to Definitive Notes (and dates on which such Talons mature): [Yes/No. *If yes, give details]*
27. Details relating to Partly-Paid Notes: amount of each payment comprising the Issue Price and date on which each payment is to be made and consequences (if any) of failure to pay, including any right of the Issuer to forfeit the Notes and interest due on late payment: [Not Applicable/give details]
28. Details relating to Installment Notes; Installment Amounts and Installment Dates: [Not Applicable/give details]
29. Redenomination, renominalization and reconventioning provisions: [Not Applicable/The provisions annexed to this Final Terms apply]
30. Consolidation provisions: [Not Applicable/The provisions annexed to this Final Terms apply]
31. Other terms or special conditions: [Not Applicable/give details]

## DISTRIBUTION

32. (i) If syndicated, names [and addresses]<sup>\*\*\*</sup> of Managers [and underwriting commitments]<sup>\*\*\*</sup>: [Not Applicable/give names] [*addresses and details on underwriting commitments*]<sup>\*\*\*</sup>  
*(Include names and addresses of entities agreeing to underwrite the issue on a firm commitment basis and names and addresses of the entities agreeing to*

<sup>1</sup> Applicable only if Notes have an initial maturity of one year or less.

*place the issue without a firm commitment or on a “best efforts” basis if such entities are not the same as the Managers. Give Indication of the material features of the agreements, including the quotas. Where not all of the issue is underwritten, a statement of the portion not covered)*\*\*\*

- (ii) Date of Subscription Agreement: [date/Not applicable]  
*(Not applicable in the case of Notes with a minimum denomination of Euro 50,000)*
- (iii) Stabilizing Manager(s) (if any): [Not Applicable/give name]
- (iv) Delivery: Delivery [against/free of] payment
- (v) Additional Paying Agents Paying Agent(s) (if any): [ ]
- (vi) Dealer’s/Lead Manager’s account number: [ ]
33. If non-syndicated, name [and address]\*\*\* of Dealer: [Not Applicable/give name [and address]\*\*\*]
34. Total commission and concession: [ ] per cent. of the Aggregate Principal Amount][Not applicable]  
*(Not applicable in the case of Notes with a minimum denomination of Euro 50,000)*
35. Additional selling restrictions: [Not Applicable/give details]

## **PART B - OTHER INFORMATION**

1. **RISK FACTORS (others than those elaborated in Section IV.2 of the Debt Issuance Program Prospectus)** [None/specify details]
2. **INTEREST OF NATURAL AND LEGAL PERSONS INVOLVED IN THE ISSUE/OFFER:** [None/specify details]
3. **REASONS FOR THE OFFER AND USE OF PROCEEDS (if different from making profit and/or hedging risks):** [None/Not applicable/specify details]  
*(Not applicable in the case of Notes with a minimum denomination of Euro 50,000)*
- (i) Estimated net proceeds: [Not applicable/specify details]  
*(If proceeds are intended for more than one use will need to split out and present in order of priority. If proceeds insufficient to fund all proposed uses state amount and sources of other funding)*

(ii) Estimated total expenses:

[Not applicable/specify details including breakdown of expenses]

*(If the Notes are derivative securities to which Annex XII of the Prospectus Regulation applies it is only necessary to include disclosure of net proceeds and total expenses at (i) and (ii) above when there are reasons for the offer different from making profit and/or hedging certain risks)*

**4. INFORMATION CONCERNING THE NOTES  
(others than contractual terms)**

Securities identification numbers

Common Code: [ ]

ISIN Code: [ ]

German Securities Code: [ ]

Any other securities number: [ ]

Clearing System(s) where the Notes are deposited : [specify details]

*(Need to include also addresses if different from those mentioned in Section III.6. of the Debt Issuance Program Prospectus)*

*[Index-Linked Notes only - Description [and performance]\*\*\* of index/other factor/formula, explanation of effect on value of investment and other information concerning the underlying:*

*[specify details]*

*(Need to include details of where past and future performance and volatility of the index/other factor/formula can be obtained and a clear and comprehensive explanation of how the value of the investment is affected by the underlying. Where the underlying is an index need to include the name of the index and a description if composed by the Issuer and if the index is not composed by the Issuer need to include details of where the information about the index can be obtained. Where the underlying is not an index need to include equivalent information)*

*(in case of Notes with a minimum denomination of Euro 50,000 a description of the underlying on which the rate is based and on the method to relate the two is sufficient)]*

[Dual Currency Notes only - Description [and performance]\*\*\* of Rate of Exchange and explanation of effect on value of investment:

[specify details]

(Need to include details of where past and future performance and volatility of the relevant rate can be obtained and a clear and comprehensive explanation of how the value of the investment is affected by the underlying)

(in case of Notes with a minimum denomination of Euro 50,000 a description of the underlying on which the rate is based and on the method to relate the two is sufficient)]

[Fixed Rate Notes only - Yield on issue price and method of calculation:

[specify details]

[Calculated as [include details of method of calculation in summary form] on the Issue Date.]\*\*\*

As set out above, the yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.]

[Floating Rate Notes only - Historic Interest Rates:

Details of historic [LIBOR/EURIBOR/ other] rates can be obtained from [Telerate].]\*\*\*

[Information on taxes on the income from the Notes withheld at source in respect of countries where the offer is being made or admission to trading is being sought (other than those specified in the Debt Issuance Program Prospectus):

[None/specify details]\*\*\*

## 5. TERMS AND CONDITIONS OF THE OFFER

### Conditions, offer statistics, expected time table and action required to apply for offer

Conditions to which the offer is subject:

[None/specify details]

Time period, including any possible amendments, during which the offer will be open:

[Not Applicable] [The offer of the Notes is expected to open at [ ] hours ([ ] time) on [ ] and close at [ ] hours ([ ] time) on [ ] or such earlier or later date or time as the Issuer may determine and will be announced in [ ]]

A description of the possibility to reduce subscriptions and the manner for refunding excess amount paid by applicants:

[Not Applicable/Subscriptions in excess of the Issue Amount will be reduced systematically. Reduction will be announced by the Issuer at [ ] hours ([ ] time) on [ ] or such earlier or later date or time as the Issuer may determine and will be announced in [ ]]

Details of the minimum and/or maximum amount of application, (whether in number of notes or aggregate amount to invest):

[Not Applicable/specify details]

Method and time limits for paying up the securities and for its delivery: [Not Applicable/specify details]

Manner and date in which results of the offer are to be made public: [Not Applicable/specify details]

The procedure for the exercise of any rights of pre-emption, the negotiability of subscription rights and the treatment of of subscription rights not exercised: [Not Applicable/specify details]

**Plan of distribution and allotment**

Various categories of potential investors to which the Notes are offered: [Professional Investors/Others - specify details]

Process for notification to applicants of the amount allotted and indication whether dealing may begin before notification is made: [Not Applicable/specify details]

**Pricing**

Method of determining the offered price and the process for its disclosure and indication on the amount of any expenses and taxes specifically charged to the subscriber or purchaser: [Not Applicable/specify details]

**6. LISTING AND ADMISSION TO TRADING**

Listing: [Luxembourg/other (specify)/None]

Admission to trading: [Not Applicable] [Application has been made for the Notes to be admitted to trading on [insert name of regulated market(s)] with effect from [ ]]

*(Where documenting a fungible issue need to indicate that original securities are already admitted to trading)\*\*\**

Estimate of total amount of expenses related to admission to trading: [ ]\*\*

**7. ADDITIONAL INFORMATION**

Ratings (others than those mentioned in Section IV. of the Debt Issuance Program Prospectus): [None/The Notes to be issued have been rated:

[S & P: [ ]]

[Moody's: [ ]]



[Fitch: [        ]]  
[Other: [        ]]

*(Need to include a brief explanation of the meaning of the ratings if this has previously been published by the rating provider)<sup>\*\*\*</sup>*

#### Notification

As of the date of these Final Terms and to the knowledge of the Issuer, the *Commission de Surveillance du Secteur Financier* as the Competent Authority has been requested to provide a certificate of approval attesting that the Debt Issuance Program Prospectus has been drawn up in accordance with the Prospectus Directive to the competent authorities in the following countries:

[Germany/others (*specify*)/None]

#### **RESPONSIBILITY**

The Issuer accepts responsibility for the information contained in this Final Terms. *[[Information on the underlying]* has been extracted from [●]. The Issuer confirms that such information has been accurately reproduced and that, so far as it is aware, and is able to ascertain from information published by [●], no facts have been omitted which would render the reproduced information inaccurate or misleading. *[It is not intended to provide post-issuance information.] [Post-issuance information relating to [●] can be obtained from [●]]*

Signed on behalf of the Issuer:

By: \_\_\_\_\_  
Duly authorized

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<sup>\*\*</sup> Delete if the minimum denomination is less than Euro 50,000.

<sup>\*\*\*</sup> Delete if the minimum denomination is Euro 50,000.

## 2. Final Terms (Bearer Pfandbriefe)

The Final Terms relating to each Tranche of Pfandbriefe in bearer form will contain such of the following information as is applicable in respect of such Notes.

**[Potential purchasers of these Notes should be aware that the amounts of interest is linked to the performance of [an index] [,] [an factor][and/or] [a formula], as more fully set out herein. Nevertheless, in no circumstances may the Notes be redeemed for less than par.]\***

\* *Insert for Index-Linked Notes.*

[Date]

Hypo Real Estate Bank Aktiengesellschaft

Issue of [Aggregate Principal Amount of Tranche][Title of Notes]  
under the

**Euro 25,000,000,000**

**Debt Issuance Program**

**Hypo Real Estate Bank Aktiengesellschaft**

This document constitutes the Final Terms relating to the issue of Notes described herein for the purposes of Article 5.4 of the Prospectus Directive (Directive 2003/71/EC) (the “Prospectus Directive”). Terms used herein shall be deemed to be defined as such for the purposes of the Terms and Conditions (Bearer Pfandbriefe) set forth in the Debt Issuance Program Prospectus dated 15 May 2006 [and supplemented on ●]. This Final Terms must be read in conjunction with such Debt Issuance Program Prospectus [as so supplemented]. Full information is only available on the basis of the combination of these Final Terms and the Debt Issuance Program Prospectus [as so supplemented]. The Debt Issuance Program Prospectus[, the Supplements] and the Final Terms have been published on the website of the Issuer (<http://www.hyporealestatebank.de>) [and on the website of the Luxembourg Stock Exchange].

*[The following alternative language applies if the first tranche of an issue which is being increased was issued under a Prospectus with an earlier date.*

This document constitutes the Final Terms relating to the issue of Notes described herein for the purposes of Article 5.4 of the Prospectus Directive (Directive 2003/71/EC) (the “Prospectus Directive”). Terms used herein shall be deemed to be defined as such for the purposes of the Terms and Conditions (Bearer Pfandbriefe) set forth in the Debt Issuance Program Prospectus dated 15 May 2006 [and supplemented on ●]. The Final Terms are to be read in conjunction with the Debt Issuance Program Prospectus dated 15 May 2006 [and supplemented on ●], save in respect of the Terms and Conditions which are extracted from the [Prospectus] dated [original date] [and supplemented on●] and are attached hereto. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Debt Issuance Program Prospectus dated 15 May 2006 [and supplemented on ●] and the [Prospectus] dated [original date] [and supplemented on ●]. The Debt Issuance Program Prospectus[, the Supplements] and the Final Terms have been published on the website of the Issuer (<http://www.hyporealestatebank.de>) [and on the website of the Luxembourg Stock Exchange].]

## PART A - CONTRACTUAL TERMS

*[Include whichever of the following apply or specify as “Not Applicable” (N/A). Note that the numbering should remain as set out below, even if “Not Applicable” is indicated for individual paragraphs or subparagraphs. Italics denote directions for completing the Final Terms. If this form of Final Terms refers to the minimum denomination of Notes in Euros the same applies for Notes issued in currencies other than Euros if the minimum denomination is nearly equivalent to the amount in Euros. If this form of Final Terms refers to Notes with a minimum denomination of Euro 50,000 than the directions apply only if the redemption at par is guaranteed.]*

*[If the Notes must be redeemed before the first anniversary of their date of issue the minimum denomination may need to be £100,000 or its equivalent in any other currency.]*

### GENERAL INFORMATION

1. Issuer [ ]
2. Type of Notes: [Mortgage Pfandbriefe]  
[Public Sector Pfandbriefe]
3. [(i)] Series Number: [ ]  
[(ii)] Tranche Number: [ ]  
(If fungible with an existing Series, details of that Series, including the date on which the Notes become fungible.)
4. Specified Currency or Currencies: [ ]
5. Aggregate Principal Amount: [ ]  
[(i)] Series: [ ]  
[(ii)] Tranche: [ ]

### DESCRIPTION OF THE ISSUE

6. [(i)] Issue Price: [ ] per cent. of the Aggregate Principal Amount [plus accrued interest from *[insert date]* (in the case of fungible issues only, if applicable)]
7. Specified Denomination(s): [ ]  
(*minimum Euro 1,000*)
8. [(i)] Issue Date: [ ]  
[(ii)] Interest Commencement Date (if different from the Issue Date): [ ]
9. Maturity Date: [*specify date or (for Floating Rate Notes) Interest Payment Date falling in the relevant month and year*]
10. Interest Basis: [●% Fixed Rate]  
[[*specify reference rate*] +/- ●% Floating Rate]  
[Zero Coupon]  
[Index-Linked Interest]  
[Other (*specify*)]  
(further particulars specified below)

11. Redemption/Payment Basis: [Redemption at par]
12. Change of Interest or Redemption/Payment Basis: [*Specify details of any provision for convertibility of Notes into another interest or redemption/payment basis*]
13. Call Options: [Issuer Call] [(further particulars specified below)]
14. Method of distribution: [Syndicated/Non-syndicated]

**PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE**

15. **Fixed Rate Note Provisions** [Applicable/Not Applicable]  
*(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (i) Rate[(s)] of Interest: [ ] per cent. per annum [payable [annually/semi-annually/quarterly/monthly] in arrear]
- (ii) Interest Payment Date(s): [ ] in each year
- (iii) Fixed Coupon Amount[(s)]: [ ] per [ ] in Principal Amount
- (iv) Broken Amount(s): [*Insert particulars of any initial or final broken interest amounts which do not correspond with the Fixed Coupon Amount[(s)]*]
- (v) Fixed Day Count Fraction: [30/360 or Actual/Actual (ISMA) or specify other]
- (vi) Determination Date(s): [ ] in each year  
*[Insert interest payment dates except where there are long or short periods. In these cases, insert regular interest payment dates]*  
*(NB: Only relevant where Day Count Fraction is Actual/Actual (ISMA))*
- (vii) Other terms relating to the method of calculating interest for Fixed Rate Notes: [Not Applicable/give details]

16. **Floating Rate Note Provisions** [Applicable/Not Applicable] *(If not applicable, delete the remaining subparagraphs of this paragraph. Also consider whether Euro BBA LIBOR or EURIBOR is the appropriate reference rate)*
- (i) Specified Period(s)/Specified Interest Payment Dates: [ ]
- (ii) Business Day Convention: [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/other (give details)]
- (iii) Additional Business Center(s): [ ]
- (iv) Manner in which the Rate(s) of Interest is/are [Screen Rate Determination/ISDA]

Determination/		
	to be determined:	other ( <i>give details</i> )]
(v)	Calculation Agent responsible for calculating the Rate(s) of Interest and Interest Amount(s) (if not the Issuing Agent):	[            ]
(vi)	Screen Rate Determination:	
	—Reference Rate:	[            ]
	—Interest Determination Date(s):	[            ]
	—Relevant Screen Page and time:	[            ]
(vii)	ISDA Determination:	
	—Floating Rate Option:	[            ]
	—Designated Maturity:	[            ]
	—Reset Date:	[            ]
(viii)	Margin(s):	[+/-] [            ] per cent. per annum
(ix)	Minimum Rate of Interest:	[            ] per cent. per annum
(x)	Maximum Rate of Interest:	[            ] per cent. per annum
(xi)	Floating Day Count Fraction:	[            ]
(xii)	Fall back provisions, rounding provisions, denominator and any other terms relating to the method of calculating interest on Floating Rate Notes, if different from those set out in the Conditions:	[            ]
<b>17. Zero Coupon Note Provisions</b>		[Applicable/Not Applicable] ( <i>If not applicable, delete the remaining sub-paragraphs of this paragraph</i> )
(i)	[Amortization/Accrual] Yield:	[            ] per cent. per annum
(ii)	Reference Price:	[            ]
(iii)	Any other formula/basis of determining amount payable:	[            ]
<b>18. Index-Linked Interest Note Provisions</b>		[Applicable/Not Applicable] ( <i>If not applicable, delete the remaining sub-paragraphs of this paragraph</i> )
(i)	Index/other factor/formula:	[ <i>give or annex details</i> ]
(ii)	Calculation Agent responsible for calculating the rate and amount of interest due:	[            ]
(iii)	Provisions for determining Coupon where calculated by reference to an index, other factor and/or formula:	[            ]
(iv)	Determination Date(s):	[            ]
(v)	Provisions for determining the rate and amount of interest due where calculation by reference to an index, other factor and/or formula is impossible or impracticable:	[            ]
(vi)	Interest or calculation period(s):	[            ]
(vii)	Specified Interest Payment Dates:	[            ]
(viii)	Business Day Convention:	[Floating Rate Convention/Following Business Day Convention/Modified Business Day]

- |   |  |
|---|--|
|   | Convention/Preceding Business Day<br>Convention/ other ( <i>give details</i> )   |
| (ix) Additional Business Center(s):   | [ ]  |
| (x) Minimum Rate/Amount of Interest:  | [ ] per cent. per annum  |
| (xi) Maximum Rate/Amount of Interest:   | [ ] per cent. per annum  |
| (xii) Day Count Fraction:   | [ ]  |
| <b>19. Dual Currency Note Provisions</b>  | [Applicable/Not Applicable]<br>( <i>If not applicable, delete the remaining<br/>sub-paragraphs of this paragraph</i> ) |
| (i) Rate of Exchange/method of calculating Rate<br>of Exchange:   | [give details]   |
| (ii) Calculation Agent, if any, responsible for<br>calculating the principal and/or interest due:   | [ ]  |
| (iii) Provisions for determining the rate and amount<br>of interest due where calculation by reference to<br>Rate of Exchange is impossible or impracticable: | [ ]  |
| (iv) Person at whose option Specified Currency(ies)<br>is/are payable:  | [ ]  |

**PROVISIONS RELATING TO REDEMPTION**

- |   |  |
|---|--|
| <b>20. Call Option</b>  | [Applicable/Not Applicable]<br>( <i>If not applicable, delete the remaining<br/>sub-paragraphs of this paragraph</i> ) |
| (i) Optional Redemption Date(s):  | [ ]  |
| (ii) Optional Redemption Amount(s) and method,<br>if any, of calculation of such amount(s): | [ ]  |
| (iii) If redeemable in part:  |  |
| (a) Minimum Redemption Amount:  | [ ]  |
| (b) Maximum Redemption Amount:  | [ ]  |
| (iv) Notice period (if other than as set out in the<br>Conditions):                         | [ ]  |
| <b>21. Final Redemption Amount</b>  | [Par]  |

**GENERAL PROVISIONS APPLICABLE TO THE NOTES**

- |  |   |
|--|---|
| <b>22. Form of Notes:</b>  | [TEFRA D Rules:<br>Temporary Global Note exchangeable<br>for a Permanent Global Note.]<br>[TEFRA C Rules:<br>Permanent Global Note]<br>[Neither TEFRA D nor TEFRA C<br>Rules: (1)<br>Permanent Global Note] |
| <b>23. Additional Financial Center(s) or other special<br/>provisions relating to Payment Dates:</b> | [Not Applicable/ <i>give details. Note that<br/>this item relates to the place of payment,<br/>and not interest period end dates, to<br/>which item 16(iii) relates</i> ]                                   |
| <b>24. Details relating to Partly-Paid Notes: amount of each</b>                                     | [Not Applicable/ <i>give details</i> ]  |

payment comprising the Issue Price and date on which each payment is to be made and consequences (if any) of failure to pay, including any right of the Issuer to forfeit the Notes and interest due on late payment:

25. Details relating to Installment Notes; Installment Amounts and Installment Dates: [Not Applicable/give details]
26. Redenomination, renominalization and reconventioning provisions: [Not Applicable/The provisions annexed to this Final Terms apply]
27. Consolidation provisions: [Not Applicable/The provisions annexed to this Final Terms apply]
28. Other terms or special conditions: [Not Applicable/give details]

## DISTRIBUTION

29. (i) If syndicated, names [and addresses]<sup>\*\*\*</sup> of Managers [and underwriting commitments]<sup>\*\*\*</sup>: [Not Applicable/give names] [addresses and details on underwriting commitments]<sup>\*\*\*</sup>
- (Include names and addresses of entities agreeing to underwrite the issue on a firm commitment basis and names and addresses of the entities agreeing to place the issue without a firm commitment or on a "best efforts" basis if such entities are not the same as the Managers. Give Indication of the material features of the agreements, including the quotas. Where not all of the issue is underwritten, a statement of the portion not covered)<sup>\*\*\*</sup>*
- (ii) Date of Subscription Agreement: [date/Not applicable]  
*(Not applicable in the case of Notes with a minimum denomination of Euro 50,000)*
- (iii) Stabilizing Manager(s) (if any): [Not Applicable/give name]
- (iv) Delivery: Delivery [against/free of] payment
- (v) Additional Paying Agents Paying Agent(s) (if any): [ ]
- (vi) Dealer's/Lead Manager's account number: [ ]
30. If non-syndicated, name [and address]<sup>\*\*\*</sup> of Dealer: [Not Applicable/give name [and address]<sup>\*\*\*</sup>]
31. Total commission and concession: [[ ]per cent. of the Aggregate Principal Amount] [Not applicable]  
*(Not applicable in the case of Notes with a minimum denomination of Euro 50,000)*
32. Additional selling restrictions: [Not Applicable/give details]

## PART B - OTHER INFORMATION

1. **RISK FACTORS (others than those elaborated in Section IV.2 of the Debt Issuance Program Prospectus)** [None/specify details]
2. **INTEREST OF NATURAL AND LEGAL PERSONS INVOLVED IN THE ISSUE/OFFER:** [None/specify details]
3. **REASONS FOR THE OFFER AND USE OF PROCEEDS (if different from making profit and/or hedging risks):** [None/Not applicable/specify details]  
*(Not applicable in the case of Notes with a minimum denomination of Euro 50,000)*
  - (i) Estimated net proceeds: [Not applicable/specify details]  
*(If proceeds are intended for more than one use will need to split out and present in order of priority. If proceeds insufficient to fund all proposed uses state amount and sources of other funding)*
  - (ii) Estimated total expenses: [Not applicable/specify details including breakdown of expenses]
4. **INFORMATION CONCERNING THE NOTES (others than contractual terms)**

Securities identification numbers

Common Code:	[ ]
ISIN Code:	[ ]
German Securities Code:	[ ]
Any other securities number:	[ ]

Clearing System(s) where the Notes are deposited : [specify details]  
*(Need to include also addresses if different from those mentioned in Section III.6. of the Debt Issuance Program Prospectus)*



*[Index-Linked Notes only - Description [and performance]<sup>\*\*\*</sup> of index/other factor/formula, explanation of effect on value of investment and other information concerning the underlying:*

*[specify details]*

*(Need to include details of where past and future performance and volatility of the index/other factor/formula can be obtained and a clear and comprehensive explanation of how the value of the investment is affected by the underlying. Where the underlying is an index need to include the name of the index and a description if composed by the Issuer and if the index is not composed by the Issuer need to include details of where the information about the index can be obtained. Where the underlying is not an index need to include equivalent information)*

*(in case of Notes with a minimum denomination of Euro 50,000 a description of the underlying on which the rate is based and on the method to relate the two is sufficient)]*

*[Dual Currency Notes only - Description [and performance]<sup>\*\*\*</sup> of Rate of Exchange and explanation of effect on value of investment:*

*[specify details]*

*(Need to include details of where past and future performance and volatility of the relevant rate can be obtained and a clear and comprehensive explanation of how the value of the investment is affected by the underlying)*

*(in case of Notes with a minimum denomination of Euro 50,000 a description of the underlying on which the rate is based and on the method to relate the two is sufficient)]*

*[Fixed Rate Notes only - Yield on issue price and method of calculation:]*

*[specify details]*

*[Calculated as [include details of method of calculation in summary form]<sup>\*\*\*</sup> on the Issue Date.]<sup>\*\*\*</sup>*

*As set out above, the yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.]*

*[Floating Rate Notes only - Historic Interest Rates:*

*Details of historic [LIBOR/EURIBOR/ other] rates can be obtained from [Telerate].]<sup>\*\*\*</sup>*

*[Information on taxes on the income from the Notes withheld at source in respect of countries where the offer is being made or admission to trading is being sought (other than those specified in the Debt Issuance Program Prospectus):*

*[None/specify details]<sup>\*\*\*</sup>*

## 5. TERMS AND CONDITIONS OF THE OFFER

**Conditions, offer statistics, expected time table and action required to apply for offer**

Conditions to which the offer is subject:

[None/specify details]

Time period, including any possible amendments, during which the offer will be open:

[Not Applicable] [The offer of the Notes is expected to open at [ ] hours ([ ] time) on [ ] and close at [ ] hours ([ ] time) [ ] or such earlier or later date or time as the Issuer may determine and will be announced [ ]]

A description of the possibility to reduce subscriptions and the manner for refunding excess amount paid by applicants:

[Not Applicable/Subscriptions in excess of the Issue Amount will be reduced systematically. Reduction will be announced by the Issuer at [ ] hours ([ ] time) [ ] or such earlier or later date or time as the Issuer may determine and will be announced in [ ]]

Details of the minimum and/or maximum amount of application, (whether in number of notes or aggregate amount to invest):

[Not Applicable/specify details]

Method and time limits for paying up the securities and for its delivery:

[Not Applicable/specify details]

Manner and date in which results of the offer are to be made public:

[Not Applicable/specify details]

The procedure for the exercise of any rights of pre-emption, the negotiability of subscription rights and the treatment of of subscription rights not exercised:

[Not Applicable/specify details]

**Plan of distribution and allotment**

Various categories of potential investors to which the Notes are offered:

[Professional Investors/Others - specify details]

Process for notification to applicants of the amount allotted and indication whether dealing may begin before notification is made:

[Not Applicable/specify details]

**Pricing**

Method of determining the offered price and the process for its disclosure and indication on the amount of any expenses and taxes specifically charged to the subscriber or purchaser:

[Not Applicable/specify details]

6. **LISTING AND ADMISSION TO TRADING**

Listing: [Luxembourg/other (*specify*)/None]

Admission to trading: [Not Applicable] [Application has been made for the Notes to be admitted to trading on [insert name of regulated market(s)] with effect from [

(Where documenting a fungible issue need to indicate that original securities are already admitted to trading)\*\*\*

Estimate of total amount of expenses related to admission to trading: [ ]\*\*

## 7. ADDITIONAL INFORMATION

Ratings (others than those mentioned in Section IV. of the Debt Issuance Program Prospectus): [None/The Notes to be issued have been rated:

[S & P: [ ]]

[Moody's: [ ]]

[Fitch: [ ]]

[Other: [ ]]

(Need to include a brief explanation of the meaning of the ratings if this has previously been published by the rating provider)\*\*\*

### Notification

As of the date of these Final Terms and to the knowledge of the Issuer, the *Commission de Surveillance du Secteur Financier* as the Competent Authority has been requested to provide a certificate of approval attesting that the Debt Issuance Program Prospectus has been drawn up in accordance with the Prospectus Directive to the competent authorities in the following countries: [Germany/others (*specify*)/None]

## RESPONSIBILITY

The Issuer accepts responsibility for the information contained in this Final Terms. [[*Information on the underlying*] has been extracted from [●]. The Issuer confirms that such information has been accurately reproduced and that, so far as it is aware, and is able to ascertain from information published by [●], no facts have been omitted which would render the reproduced information inaccurate or misleading.] Signed on behalf of the Issuer:

By: \_\_\_\_\_  
Duly authorized

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*\*\* Delete if the minimum denomination is less than Euro 50,000.*

*\*\*\* Delete if the minimum denomination is Euro 50,000.*

### 3. Final Terms (Registered Pfandbriefe)

The Final Terms relating to each issue of a Pfandbrief in registered form will contain such of the following information as is applicable in respect of such Note.

**[Potential purchasers of these Notes should be aware that the amounts of interest is linked to the performance of [an index] [,] [an factor][and/or] [a formula], as more fully set out herein. Nevertheless, in no circumstances may the Notes be redeemed for less than par.]\***

\* *Insert for Index-Linked Notes.*

[Date]

Hypo Real Estate Bank Aktiengesellschaft

Issue of [Aggregate Principal Amount of Note][Title of Note]  
under the

**Euro 25,000,000,000**

**Debt Issuance Program**

**Hypo Real Estate Bank Aktiengesellschaft**

This document constitutes the Final Terms relating to the issue of Notes described herein for the purposes of Article 5.4 of the Prospectus Directive (Directive 2003/71/EC) (the “Prospectus Directive”). Terms used herein shall be deemed to be defined as such for the purposes of the Terms and Conditions (Registered Pfandbriefe) set forth in the Debt Issuance Program Prospectus dated 15 May 2006 [and supplemented on ●]. This Final Terms must be read in conjunction with such Debt Issuance Program Prospectus [as so supplemented]. Full information is only available on the basis of the combination of these Final Terms and the Debt Issuance Program Prospectus [as so supplemented]. The Debt Issuance Program Prospectus[, the Supplements] and the Final Terms have been published on the website of the Issuer (<http://www.hyporealestatebank.de>) [and on the website of the Luxembourg Stock Exchange].

*[The following alternative language applies if the first tranche of an issue which is being increased was issued under a Prospectus with an earlier date.*

This document constitutes the Final Terms relating to the issue of Notes described herein for the purposes of Article 5.4 of the Prospectus Directive (Directive 2003/71/EC) (the “Prospectus Directive”). Terms used herein shall be deemed to be defined as such for the purposes of the Terms and Conditions (Registered Pfandbriefe) set forth in the Debt Issuance Program Prospectus dated 15 May 2006 [and supplemented on ●]. The Final Terms are to be read in conjunction with the Debt Issuance Program Prospectus dated 15 May 2006 [and supplemented on ●], save in respect of the Terms and Conditions which are extracted from the [Prospectus] dated [original date] [and supplemented on●] and are attached hereto. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Debt Issuance Program Prospectus dated 15 May 2006 [and supplemented on ●] and the [Prospectus] dated [original date] [and supplemented on ●]. The Debt Issuance Program Prospectus[, the Supplements] and the Final Terms have been published on the website of the Issuer (<http://www.hyporealestatebank.de>) [and on the website of the Luxembourg Stock Exchange].]

## PART A - CONTRACTUAL TERMS

*[Include whichever of the following apply or specify as “Not Applicable” (N/A). Note that the numbering should remain as set out below, even if “Not Applicable” is indicated for individual paragraphs or subparagraphs. Italics denote directions for completing the Final Terms. If this form of Final Terms refers to the minimum denomination of Notes in Euros the same applies for Notes issued in currencies other than Euros if the minimum denomination is nearly equivalent to the amount in Euros. If this form of Final Terms refers to Notes with a minimum denomination of Euro 50,000 than the directions apply only if the redemption at par is guaranteed.]*

*[If the Notes must be redeemed before the first anniversary of their date of issue the minimum denomination may need to be £100,000 or its equivalent in any other currency.]*

### GENERAL INFORMATION

1. Issuer [ ]
2. Type of Notes: [MortgagePfandbriefe]  
[Public Sector Pfandbriefe]
3. Series Number: [ ]
4. Specified Currency or Currencies: [ ]
5. Aggregate Principal Amount: [ ]

### DESCRIPTION OF THE ISSUE

6. Issue Price: [ ] per cent. of the Aggregate Principal Amount
7. Specified Denominations: [ ]  
*(minimum Euro 1,000)*
8. [(i)] Issue Date: [ ]  
[(ii)] Interest Commencement Date (if different from the Issue Date): [ ]
9. Maturity Date: *[specify date or (for Floating Rate Notes) Interest Payment Date falling in the relevant month and year]*
10. Interest Basis: [●% Fixed Rate]  
[[specify reference rate] +/- ●% Floating Rate]  
[Zero Coupon]  
[Index-Linked Interest]  
[Other (specify)]  
*(further particulars specified below)*
11. Redemption/Payment Basis: [Redemption at par]
12. Change of Interest or Redemption/Payment Basis: *[Specify details of any provision for convertibility of Notes into another interest or redemption/payment basis]*
13. Call Options: [Issuer Call]  
[(further particulars specified below)]
14. Method of distribution: Non-syndicated

### PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

15. **Fixed Rate Note Provisions**

- [Applicable/Not Applicable]  
(If not applicable, delete the remaining sub-paragraphs of this paragraph)
- (i) Rate[(s)] of Interest: [ ] per cent. per annum [payable [annually/ semi-annually/quarterly/monthly] in arrear]
- (ii) Interest Payment Date(s): [ ] in each year
- (iii) Fixed Coupon Amount[(s)]: [ ] per [ ] in Principal Amount
- (iv) Broken Amount(s): [Insert particulars of any initial or final broken interest amounts which do not correspond with the Fixed Coupon Amount[(s)]]
- (v) Fixed Day Count Fraction: [30/360 or Actual/Actual (ISMA) or specify other]
- (vi) Determination Date(s): [ ] in each year  
[Insert interest payment dates except where there are long or short periods. In these cases, insert regular interest payment dates]  
(NB: Only relevant where Day Count Fraction is Actual/Actual (ISMA))
- (vii) Other terms relating to the method of calculating interest for a Fixed Rate Note: [Not Applicable/give details]

16. **Floating Rate Note Provisions**

- [Applicable/Not Applicable]  
(If not applicable, delete the remaining sub-paragraphs of this paragraph. Also, consider whether Euro BBA LIBOR or EURIBOR is the appropriate reference rate)
- (i) Specified Period(s)/Specified Interest Payment Dates: [ ]
- (ii) Business Day Convention: [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/ Preceding Business Day Convention/ other (give details)]
- (iii) Additional Business Center(s): [ ]
- (iv) Manner in which the Rate(s) of Interest is/are to be determined: [Screen Rate Determination/ISDA Determination/other (give details)]
- (v) Calculation Agent responsible for calculating the Rate(s) of Interest and Interest Amount(s) (if not the Issuing Agent): [ ]
- (vi) Screen Rate Determination:  
—Reference Rate: [ ]  
—Interest Determination Date(s): [ ]  
—Relevant Screen Page and time: [ ]
- (vii) ISDA Determination:  
—Floating Rate Option: [ ]  
—Designated Maturity: [ ]  
—Reset Date: [ ]

- (viii) Margin(s): [ +/- ] [ ] per cent. per annum
- (ix) Minimum Rate of Interest: [ ] per cent. per annum
- (x) Maximum Rate of Interest: [ ] per cent. per annum
- (xi) Floating Day Count Fraction: [ ]
- (xii) Fall back provisions, rounding provisions, denominator and any other terms relating to the method of calculating interest on a Floating Rate Note, if different from those set out in the Conditions: [ ]
- 17. Zero Coupon Note Provisions** [Applicable/Not Applicable]  
*(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (i) [Amortization/Accrual] Yield: [ ] per cent. per annum
- (ii) Reference Price: [ ]
- (iii) Any other formula/basis of determining amount payable: [ ]
- 18. Index-Linked Interest Note Provisions** [Applicable/Not Applicable]  
*(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (i) Index/other factor/formula: [give or annex details]
- (ii) Calculation Agent responsible for calculating the rate and amount of interest due: [ ]
- (iii) Provisions for determining Coupon where calculated by reference to an index, other factor and/or formula: [ ]
- (iv) Determination Date(s): [ ]
- (v) Provisions for determining the rate and amount of interest due where calculation by reference to an index, other factor and/or formula is impossible or impracticable: [ ]
- (vi) Interest or calculation period(s): [ ]
- (vii) Specified Interest Payment Dates: [ ]
- (viii) Business Day Convention: [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/ other (give details)]
- (ix) Additional Business Center(s): [ ]
- (x) Minimum Rate/Amount of Interest: [ ] per cent. per annum
- (xi) Maximum Rate/Amount of Interest: [ ] per cent. per annum
- (xii) Day Count Fraction: [ ]
- 19. Dual Currency Note Provisions** [Applicable/Not Applicable]  
*(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (i) Rate of Exchange/method of calculating Rate of Exchange: [give details]
- (ii) Calculation Agent, if any, responsible for [ ]



- calculating the principal and/or interest due:
- (iii) Provisions for determining the rate and amount of interest due where calculation by reference to Rate of Exchange is impossible or impracticable: [ ]
- (iv) Person at whose option Specified Currency(ies) is/are payable: [ ]

## PROVISIONS RELATING TO REDEMPTION

20. **Call Option** [Applicable/Not Applicable]  
(If not applicable, delete the remaining sub-paragraphs of this paragraph)
- (i) Optional Redemption Date(s): [ ]
- (ii) Optional Redemption Amount(s) and method, if any, of calculation of such amount(s): [ ]
- (iii) If redeemable in part:
- (a) Minimum Redemption Amount: [ ]
- (b) Maximum Redemption Amount: [ ]
- (iv) Notice period (if other than as set out in the Conditions): [ ]
21. **Final Redemption Amount** [Par]

## GENERAL PROVISIONS APPLICABLE TO THE NOTES

22. Form of Notes: [Global Note] [Other (specify)]
23. Additional Financial Center(s) or other special provisions relating to Payment Dates: [Not Applicable/give details. Note that this item relates to the place of payment, and not interest period end dates, to which item 16(iii) relates]
24. Details relating to a Partly-Paid Note: amount of each payment comprising the Issue Price and date on which each payment is to be made and consequences (if any) of failure to pay, including any right of the Issuer to forfeit the Notes and interest due on late payment: [Not Applicable/give details]
25. Details relating to an Installment Note; Installment Amounts and Installment Dates: [Not Applicable/give details]
26. Redenomination, renominialization and reconventioning provisions: [Not Applicable/The provisions annexed to this Final Terms apply]
27. Consolidation provisions: [Not Applicable/The provisions annexed to this Final Terms apply]
28. Other terms or special conditions: [Not Applicable/give details]

## DISTRIBUTION

29. (i) If syndicated, names [and addresses]<sup>\*\*\*</sup> of Managers [and underwriting commitments]<sup>\*\*\*</sup>: [Not Applicable/give names] [addresses and details on underwriting commitments]<sup>\*\*\*</sup>
- (Include names and addresses of entities agreeing to underwrite the issue on a firm commitment basis and names and

*addresses of the entities agreeing to place the issue without a firm commitment or on a “best efforts” basis if such entities are not the same as the Managers. Give Indication of the material features of the agreements, including the quotas. Where not all of the issue is underwritten, a statement of the portion not covered)\*\*\**

- (ii) Date of Subscription Agreement: [date/Not applicable]  
*(Not applicable in the case of Notes with a minimum denomination of Euro 50,000)*
- (iii) Stabilizing Manager(s) (if any): [Not Applicable/give name]
- (iv) Delivery: Delivery [against/free of] payment
- (v) Additional Paying Agents Paying Agent(s) (if any): [ ]
- (vi) Dealer’s/Lead Manager’s account number: [ ]
- 30. If non-syndicated, name [and address]\*\*\* of Dealer: [Not Applicable/give name [and address]\*\*\*]
- 31. Total commission and concession: [[ ] per cent. of the Aggregate Principal Amount] [Not applicable]  
*(Not applicable in the case of Notes with a minimum denomination of Euro 50,000)*
- 32. Additional selling restrictions: [Not Applicable/give details]

## PART B - OTHER INFORMATION

1. **RISK FACTORS (others than those elaborated in Section IV.2 of the Debt Issuance Program Prospectus)** [None/specify details]
2. **INTEREST OF NATURAL AND LEGAL PERSONS INVOLVED IN THE ISSUE/OFFER:** [None/specify details]
3. **REASONS FOR THE OFFER AND USE OF PROCEEDS (if different from making profit and/or hedging risks):** [None/Not applicable/specify details]  
*(Not applicable in the case of Notes with a minimum denomination of Euro 50,000)*
  - (i) Estimated net proceeds: [Not applicable/specify details]  
*(If proceeds are intended for more than one use will need to split out and present in order of priority. If proceeds insufficient to fund all proposed uses state amount and sources of other funding)*
  - (ii) Estimated total expenses: [Not applicable/specify details including breakdown of expenses]
4. **INFORMATION CONCERNING THE NOTES (others than contractual terms)**

Securities identification numbers

Common Code:	[     ]
ISIN Code:	[     ]
German Securities Code:	[     ]
Any other securities number:	[     ]

*[Index-Linked Notes only - Description [and performance]<sup>\*\*\*</sup> of index/other factor/formula, explanation of effect on value of investment and other information concerning the underlying:*

*[specify details]*

*(Need to include details of where past and future performance and volatility of the index/other factor/formula can be obtained and a clear and comprehensive explanation of how the value of the investment is affected by the underlying. Where the underlying is an index need to include the name of the index and a description if composed by the Issuer and if the index is not composed by the Issuer need to include details of where the information about the index can be obtained. Where the underlying is not an index need to include equivalent information)*

*(in case of Notes with a minimum denomination of Euro 50,000 a description of the underlying on which the rate is based and on the method to relate the two is sufficient)]*

*[Dual Currency Notes only - Description [and performance]<sup>\*\*\*</sup> of Rate of Exchange and explanation of effect on value of investment:*

*[specify details]*

*(Need to include details of where past and future performance and volatility of the relevant rate can be obtained and a clear and comprehensive explanation of how the value of the investment is affected by the underlying)*

*(in case of Notes with a minimum denomination of Euro 50,000 a description of the underlying on which the rate is based and on the method to relate the two is sufficient)]*

*[Fixed Rate Notes only - Yield on issue price and method of calculation:*

*[specify details]*

*[Calculated as [include details of method of calculation in summary form]<sup>\*\*\*</sup> on the Issue Date.]*

*As set out above, the yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.]*

*[Floating Rate Notes only - Historic Interest Rates:*

*Details of historic [LIBOR/EURIBOR/ other] rates can be obtained from [Telerate].]<sup>\*\*\*</sup>*

*[Information on taxes on the income from the Notes withheld at source in respect of countries where the offer is being made or admission to trading is being sought (other than those specified in the Debt Issuance Program Prospectus):*

*[None/specify details]<sup>\*\*\*</sup>*

## 5. TERMS AND CONDITIONS OF THE OFFER

**Conditions, offer statistics, expected time table and action required to apply for offer**

Conditions to which the offer is subject:

[None/specify details]

Time period, including any possible amendments, during which the offer will be open:

[Not Applicable] [The offer of the Notes is expected to open at [ ] hours ([ ] time) on [ ] and close at [ ] hours ([ ] time) on [ ] or such earlier or later date or time as the Issuer may determine and will be announced [ ]]

A description of the possibility to reduce subscriptions and the manner for refunding excess amount paid by applicants:

[Not Applicable/Subscriptions in excess of the Issue Amount will be reduced systematically. Reduction will be announced by the Issuer at [ ] hours ([ ] time) on [ ] or such earlier or later date or time as the Issuer may determine and will be announced [ ]]

Details of the minimum and/or maximum amount of application, (whether in number of notes or aggregate amount to invest):

[Not Applicable/specify details]

Method and time limits for paying up the securities and for its delivery:

[Not Applicable/specify details]

Manner and date in which results of the offer are to be made public:

[Not Applicable/specify details]

The procedure for the exercise of any rights of pre-emption, the negotiability of subscription rights and the treatment of of subscription rights not exercised:

[Not Applicable/specify details]

**Plan of distribution and allotment**

Various categories of potential investors to which the Notes are offered:

[Professional Investors/Others - specify details]

Process for notification to applicants of the amount allotted and indication whether dealing may begin before notification is made:

[Not Applicable/specify details]

**Pricing**

Method of determining the offered price and the process for its disclosure and indication on the amount of any expenses and taxes specifically charged to the subscriber or purchaser:

[Not Applicable/specify details]

**6. LISTING AND ADMISSION TO TRADING**

Listing:

[Luxembourg/other (specify)/None]

Admission to trading:

[Not Applicable] [Application has been made for the Notes to be admitted to trading on [insert name of regulated market(s)] with effect from [ ]]

(Where documenting a fungible issue need to indicate that original securities are already admitted to trading)\*\*\*

[ ]\*\*

Estimate of total amount of expenses related to admission to trading:

## 7. ADDITIONAL INFORMATION

Ratings (others than those mentioned in Section IV. of the Debt Issuance Program Prospectus):

[None/The Notes to be issued have been rated:

[S & P: [ ]]

[Moody's: [ ]]

[Fitch: [ ]]

[Other[ ]]

(Need to include a brief explanation of the meaning of the ratings if this has previously been published by the rating provider)\*\*\*

Notification

As of the date of these Final Terms and to the knowledge of the Issuer, the *Commission de Surveillance du Secteur Financier* as the Competent Authority has been requested to provide a certificate of approval attesting that the Debt Issuance Program Prospectus has been drawn up in accordance with the Prospectus Directive to the competent authorities in the following countries:

[Germany/others (*specify*)/None]

## RESPONSIBILITY

The Issuer accepts responsibility for the information contained in this Final Terms. *[[Information on the underlying]* has been extracted from [●]. The Issuer confirms that such information has been accurately reproduced and that, so far as it is aware, and is able to ascertain from information published by [●], no facts have been omitted which would render the reproduced information inaccurate or misleading.]

Signed on behalf of the Issuer:

By: \_\_\_\_\_  
Duly authorized

*\*\* Delete if the minimum denomination is less than Euro 50,000.*

*\*\*\* Delete if the minimum denomination is Euro 50,000.*

## **X. German Pfandbriefe and the German Mortgage Banking Sector**

### **German Mortgage Lending Sector**

The following description includes only a summary of the fundamental principles of the German law governing Pfandbriefe and German mortgage banks as well as a brief description of the German mortgage banking sector. It does not purport to be conclusive and is qualified by the applicable German laws, rules and regulations.

### **The German Mortgage Banking Sector**

German banks are divided into two general categories: universal banks (also known as full-service or multi-purpose banks) and specialized banks (banks permitted to transact only certain specified types of banking activities).

Until 19 July 2005 Pfandbriefe could generally only be issued by (i) German mortgage banks (Hypothekenbanken - the "Mortgage Banks"), which are specialized banks permitted to engage in mortgage lending, public sector lending and certain auxiliary business activities and to issue Mortgage Pfandbriefe (Hypothekentpfandbriefe) and/or Public Sector Pfandbriefe (Öffentliche Pfandbriefe), and (ii) certain types of German banks organized under public law (Public Sector Banks), such as the Landesbanken. Two German private universal banks are so-called mixed Mortgage Banks. Under grandfathered rights these banks were permitted to conduct both types of banking business. The issuance of Mortgage Pfandbriefe (Hypothekentpfandbriefe) and of Public Sector Pfandbriefe (Öffentliche Pfandbriefe) by as well as the business of Mortgage Banks, including the Issuer, were governed i.a. by the German Mortgage Bank Act (Hypothekentbankgesetz) (the "Mortgage Bank Act").

Since 19 July 2005 the Pfandbrief-issuance of Mortgage Banks, including the Issuer, is governed by the new German Pfandbrief Act (Pfandbriefgesetz - the "Pfandbrief Act"), rescinding all special legislation regarding the issuance of Pfandbriefe in Germany, including the Mortgage Bank Act. As the new legal framework abolishes the previous concept of special Pfandbriefe institutions, every German bank is permitted, subject to the necessary authorisations and any legal requirements, to engage in the Pfandbrief-business and to issue Pfandbriefe. Such German bank will be entitled to bear the title of Pfandbrief-Bank (Pfandbriefbank). According to the Pfandbrief Act, Mortgage Banks which were entitled to issue Pfandbriefe until 19 July 2005 are grandfathered with regard to their existing authorisation and become Pfandbrief-Banks. However, this is only the case, if and as far as they have filed a comprehensive notification with the German Federal Financial Supervisory Authority (Bundesanstalt für Finanzdienstleistungsaufsicht - the "BaFin") no later than by 18 October 2005. The failure to file this notification may lead to the withdrawal of the authorisation by the BaFin.

For the purpose of this summary, Mortgage Banks which as of 19 July 2005 have become Pfandbrief-Banks (Pfandbriefbanken) will be referred to further on as "Mortgage Banks".

According to the Pfandbrief Act, most of the conservative principles of today's legal framework, in particular taken from the Mortgage Bank Act, remain in place. While individual standards have been eased (e.g. the abolition of the limit on the outstanding Pfandbrief-volume), stricter rules have been introduced in other areas (e.g. transparency, trustees). This fundamental restructuring of the legal framework once again proves the German Pfandbrief segment's willingness and capability to adopt to changing market and investor needs and to implement reforms.

### **Characteristics of Pfandbriefe**

#### *Introduction*

Pfandbriefe issued by Mortgage Banks are debt securities issued under German law that must be secured ("covered") by mortgages or certain obligations of public sector debtors (or certain other qualifying assets) and whose terms must otherwise comply with the requirements and limitations imposed by the Pfandbrief Act. Such compliance is monitored by the BaFin.



Pfandbriefe are usually medium- to long-term bonds and have, as a general rule, a term of two to ten years. Pfandbriefe are general obligations of the issuing bank, and no separate vehicle is created for their issuance in general or for the issuance of any specific series of Pfandbriefe. Traditionally, Pfandbriefe have borne interest at a fixed rate, but Mortgage Banks are also issuing zero-coupon and floating rate Pfandbriefe, in some cases with additional features such as step-up coupons, caps or floors. Most issues of Pfandbriefe are denominated in Euro. A Mortgage Bank may, however, also issue Pfandbriefe in other currencies, subject to certain limitations. The terms of the Pfandbriefe may not give the holders any right to require redemption of the Pfandbriefe prior to their scheduled date of maturity.

The aggregate principal amount of the outstanding Mortgage Pfandbriefe and Public Sector Pfandbriefe issued by a Mortgage Bank must be covered by assets that qualify for use as cover under the provisions of the Pfandbrief Act. One single pool of assets covers outstanding Mortgage Pfandbriefe (Hypothekpfandbriefe), and another pool of assets covers all outstanding Public Sector Pfandbriefe (Öffentliche Pfandbriefe), of the issuing bank. The aggregate principal amount of assets in any cover pool must at all times be at least equal to the aggregate principal amount of the outstanding Pfandbriefe issued against such cover pool. Moreover, the aggregate interest yield on any such cover pool must at all times be at least equal to the aggregate interest payable on all Pfandbriefe relating to the cover pool. In addition, the coverage of all outstanding Pfandbriefe with respect to principal and interest must at all times be ensured on the basis of the present value (Barwert). Finally, the present value of the assets contained in each cover pool must exceed the total amount of liabilities from the corresponding Pfandbriefe and derivatives by at least 2 per cent. (sichernde Überdeckung). Such 2 per cent. excess cover must consist of highly liquid assets. The following assets qualify for inclusion in the excess cover: (i) debt securities of the German government, a special fund of the German government, a German state (Land), the European Communities, any state of the European Economic Area, Switzerland, the United States, Canada, Japan, any other European state with full OECD member status, the European Investment Bank, the IBRD-World Bank, the Council of Europe Development Bank, or the European Bank for Reconstruction and Development; (ii) debt securities guaranteed by any of the foregoing entities; and (iii) credit balances maintained with the European Central Bank, the central banks of the member states of the European Union and/or appropriate credit institutions.

Any Mortgage Bank must establish an appropriate risk management system meeting the requirements specified in detail in the Pfandbrief Act and must comply with extensive quarterly and annual disclosure requirements, as set out in the Pfandbrief Act.

Under the Pfandbrief Act, each Mortgage Bank must keep a separate cover register (Deckungsregister) for each of its cover pools (i.e. one cover register for the Mortgage Pfandbriefe and one cover register for the Public Sector Pfandbriefe) and in which the assets included in each of the two cover pools are registered. In order to ensure that the cover pools provide adequate coverage for the outstanding Pfandbriefe, the registration is supervised and controlled by a trustee (Treuhand) who is appointed by the BaFin after consultation with the Mortgage Bank. In addition, the trustee also monitors the Mortgage Bank's compliance with other provisions of the Pfandbrief Act. Together with the Mortgage Bank, the trustee has joint custody of the assets included in the cover pools and of any documents evidencing such assets. Moreover, the Mortgage Bank may remove any assets from a cover pool only with the permission of the trustee. Any issuance of Pfandbriefe may take place only upon prior certification by the trustee that the relevant cover pool provides adequate coverage for the Pfandbriefe to be issued and the assets to be used as cover are listed in the relevant cover register (Deckungsregister). The Mortgage Bank may remove any assets from the cover pool only with the prior permission of the trustee. Such permission shall only be granted if and insofar as the remaining registered assets still cover the aggregate principal amount of the outstanding Pfandbriefe and the liabilities arising from derivatives as well as the 2 per cent. excess cover (sichernde Überdeckung). Accordingly, the holders of Pfandbriefe benefit indirectly from the monitoring activities conducted by the trustee. Although there is no judicial or administrative precedent in this respect, German opinion of authority holds that the holders of Pfandbriefe may bring a claim in tort for damages resulting from a negligent violation of the trustee's duties under the Pfandbrief Act. In addition, it has been held that the trustee owes no fiduciary duty to the holders of Pfandbriefe.

In addition to the monitoring conducted by the trustee, the BaFin conducts audits of each cover pool every

two years. The BaFin also supervises the compliance of Mortgage Banks with the provisions of the Pfandbrief Act, including approval of valuation guidelines for mortgage property, approval of the principal characteristics of the provisions of the loans, the resolution of disputes between the bank and the trustee. Furthermore, BaFin is authorized to determine obligatory guidelines for the valuation of mortgage property.

*Cover Pool for Mortgage Pfandbriefe (Hypothekendarpfandbriefe)*

In the case of Mortgage Pfandbriefe (Hypothekendarpfandbriefe) the cover pool is secured by mortgages (or portions thereof) which may serve as cover up to the initial 60 per cent. of the value of their underlying property as assessed by experts of the Pfandbrief bank different from those who take part in the credit decision, claims under certain swap and derivative transactions that meet certain requirements and certain other assets (up to certain thresholds) may qualify for inclusion in the cover pool. In addition, the mortgaged property must be adequately insured against relevant risks. A mortgaged property must be situated in a state of the European Economic Area, Switzerland, the United States, Canada or Japan. Other assets qualifying for inclusion in the cover pool for Mortgage Pfandbriefe include among others (i) equalization claims converted into bonds, (ii) subject to certain qualifications, assets qualifying for the 2 per cent. excess cover as described above, up to a total sum of 10 per cent. of the aggregate principal amount of outstanding Mortgage Pfandbriefe, and (iii) subject to certain thresholds, the assets which may also be included in the cover pool for Public Sector Pfandbriefe (Öffentliche Pfandbriefe) referred to below, up to a total of 20 per cent. of the aggregate principal amount of outstanding Mortgage Pfandbriefe and (iv) claims arising under interest rate and currency swaps as well as under other qualifying derivatives contracted under standardized master agreements with certain qualifying counterparties, provided that the claims under such derivatives will not be prejudiced in the event of the insolvency of the Pfandbrief bank or any other cover pool maintained by it. The amount of the claims of the Pfandbrief bank arising from such derivatives which are included in the cover pool measured against the total amount of all assets forming part of the cover pool as well as the amount of liabilities of the Pfandbrief bank arising from such derivatives measured against the aggregate principal amount of the outstanding Mortgage Pfandbriefe plus the liabilities arising from derivatives may in either case not exceed 12 per cent., calculated in each case on the basis of the net present values.

*Cover pool for public sector Pfandbriefe (Öffentliche Pfandbriefe)*

Under the Pfandbrief Act the assets qualifying for the cover pool for Public Sector Pfandbriefe (Öffentliche Pfandbriefe) include among others payment claims under certain loans, bonds or similar transactions of states and other public entities, including, but not limited to (i) the German government as well as any German state, municipality or other qualifying public body in Germany for which maintenance obligation (Anstaltslast) or a legally founded state guarantee obligation (Gewährträgerhaftung) or a state refinancing guarantee applies or which are legally entitled to raise fees, rates and other levies, (ii) any state of the European Economic Area, Switzerland, the United States, Canada or Japan, (iii) any other European state with full OECD member status, (iv) regional governments and local territorial authorities (provided that certain solvability conditions are met), (v) non-profit administrative authorities controlled by central or regional governments or local territorial authorities of any of the states referred to in (ii) above (provided that certain solvability conditions are met), (vi) the European Investment Bank, the IBRD-World Bank, the Council of Europe Development Bank, or the European Bank for Reconstruction and Development, and (vii) any entity the obligations of which are guaranteed by a public entity referred to or mentioned in (i) through (iv) and (vi) above. In addition and subject to certain limitations, the cover pool for Public Sector Pfandbriefe may also include (i) equalisation claims converted into bonds, (ii) credit balances maintained with the European Central Bank, a central bank of any EU member state or a suitable credit institution, up to a total sum of the aggregate principal amount of outstanding Public Sector Pfandbriefe (Öffentliche Pfandbriefe), and (iii) certain claims arising under certain derivative transactions as described above. The limitation applicable to Mortgage Pfandbriefe apply here as well.

*Additional regulatory requirements*

In addition to the provisions of the Pfandbrief Act, Mortgage Banks, like other types of German banks, are

subject to governmental supervision and regulation in accordance with the German Banking Act (Kreditwesengesetz - the “Banking Act”). Supervision is primarily conducted by the BaFin. In addition, the Deutsche Bundesbank in its capacity as the German central bank also holds some supervisory powers. The BaFin has comprehensive powers to instruct German banks to take actions to comply with applicable laws and regulations. In addition, German banks, including Mortgage Banks, are required to submit extensive confidential reports to the BaFin and the Deutsche Bundesbank, which include disclosure of the statistical and operational aspects of the banks’ businesses. Within the scope of their oversight and regulatory capacities, each of the BaFin and the Deutsche Bundesbank may take immediate action whenever required.

In addition, under the new Pfandbrief Act, the supervision of Mortgage Banks by the BaFin has gained significantly in importance, mainly the requirements concerning the transparency have increased.

#### *Status and protection of the Pfandbrief-holders*

The holders of outstanding Pfandbriefe rank *pari passu* among themselves, and have preferential claims with respect to the assets registered in the relevant cover register (Deckungsregister). With respect to other assets of a Mortgage Bank, holders of Pfandbriefe rank *pari passu* with unsecured creditors of the Mortgage Bank.

In the event of the initiation of insolvency proceedings over the assets of a Mortgage Bank, none of the cover pools falls within the insolvency estate. If, however, simultaneously with or following the opening of insolvency proceedings over the assets of a Mortgage Bank, any of its cover pools becomes insolvent, insolvency proceedings will be instituted over the assets of such cover pool. In this case, holders of Pfandbriefe corresponding to such cover pool would have a preferential right over the assets of the respective cover pool. This right would also extend to interest in the Pfandbriefe accrued after the commencement of insolvency proceedings over the assets of the relevant cover pool. If and insofar as holders of Pfandbriefe suffer a loss following their recourse against the cover pool, they would have recourse to any assets of the Mortgage Bank not included in the cover pools. In this case, Pfandbrief holders would rank equal with other unsecured and unsubordinated creditors of the Mortgage Bank. According to the Pfandbrief Act and upon request of the BaFin, one or two administrators (Sachwalter – each an “Administrator”) will be appointed in the case of insolvency of the Mortgage Bank to administer each cover pool. The Administrators will act for the sole benefit of the holders of Pfandbriefe. Each Administrator will be appointed by the court having jurisdiction over the head office of the Mortgage Bank before or after the institution of insolvency proceedings. Each Administrator will be subject to the supervision of the court and of the BaFin with respect to the duties of the Mortgage Bank arising in connection with the administration of the assets included in the relevant cover pool. The Administrators will be entitled to dispose of the cover pool’s assets and receive all payments on the relevant assets to ensure full satisfaction of the claims of the holders of Pfandbriefe. To the extent, however, that those assets are obviously not necessary to satisfy such claims, the insolvency receiver of the Mortgage Bank is entitled to demand the transfer of such assets to the insolvency estate.

Subject to the consent of the BaFin, the Administrators may transfer all or part of the cover assets and the liabilities arising from the Pfandbriefe issued against such assets to another Pfandbrief-Bank.

#### **The Pfandbrief Market**

Since its launch in 1995, the Jumbo Pfandbrief has posted uninterrupted growth. Jumbo-Pfandbriefe are fixed-rate Pfandbriefe with a minimum principal amount of Euro 1 billion (or the equivalent thereof in another currency), supported by a commitment of at least three market-makers to quote continuous two-way prices during normal trading hours as long as there is sufficient liquidity in the particular Jumbo-Pfandbrief. By the end of December 2004, the outstanding volume in the Jumbo Pfandbrief sector had reached EUR 391 billion, about 38,7% of the entire German Pfandbrief market, Europe’s second biggest bond market. This means that Jumbos alone continue to strengthen their position as the fourth-largest market segment in Europe, after Italian, German and French government bonds, and the largest individual non-government fixed-income instrument. In recent years, Germany’s Mortgage Banks have been committed to broadening the international appeal of the Pfandbrief principally by enhancing liquidity in the

instrument, which was the main driving force behind the launch of the Jumbo market in 1995. Size has clearly been one important barometer of liquidity in the sector, with the guidelines for Jumbo deals stipulating a minimum size of EUR 1 billion. Individual Pfandbrief issues of up to EUR 5 billion have been successfully placed with institutional investors attracted by the combination of liquidity, security and yield pick-up offered by Jumbo Pfandbriefe over government bonds. Aside from size, however, a range of other measures have contributed to the enhanced liquidity of the Pfandbriefe. First, in common with frequent issuers throughout the Euroland bond market, the Mortgage Banks have recognized that investors are increasingly ranking liquidity above other considerations.

Second and probably more important, Pfandbrief issuers have been eager to ensure that their bonds qualify for trading on the new EuroCreditMTS platform launched in May 2000. This new system has encouraged even higher liquidity by providing investors with lower bid-offer spreads and by dictating that each Jumbo bond traded on the system must be supported by at least five market-makers.

### **Pfandbrief Coverage: Real Estate and Public Sector Financing in Germany**

As described above (see “Characteristics of Pfandbriefe”) the outstanding Pfandbriefe of a Mortgage Bank are covered by assets within two cover pools, one cover pool covering all of the Mortgage Bank’s outstanding Public Sector Pfandbriefe (Öffentliche Pfandbriefe) and a separate pool covering all of the Mortgage Bank’s outstanding Mortgage Pfandbriefe (Hypothekenspfandbriefe). The Mortgage Bank is required by German law to keep its Pfandbriefe fully secured and the two cover pools are continuously replenished by new loans.

#### *Mortgage Lending*

The principal type of cover for mortgage Pfandbriefe is mortgages securing loans on German real estate. Subject to certain limitations, mortgages on real estate located in other member states of the European Union or other contracting states of the treaty on the European Economic Area or in Switzerland are also eligible as cover. As of 19 July 2005 mortgages on real estate located in the United States, Canada or Japan also qualify as cover for Mortgage Pfandbriefe.

#### *Public Sector Lending*

Under the Pfandbrief-Act, the assets that qualify for cover of Public Sector Pfandbriefe are loans to, and other similar obligations (such as debt securities) of, or guaranteed by (i) German regional and local authorities and such public-sector authorities and institutions for which state support (“Anstaltslast”) or a legally founded state guarantee obligation (“Gewährträgerhaftung”) or a state refinancing guarantee applies or which are legally entitled to raise fees, rates and other levies, (ii) any member state of the European Union or of the European Economic Area, Switzerland, the United States of America, Canada or Japan, (iii) certain regional governments and local authorities of the states covered under point (ii) above, (iv) another European state not included under point (ii) above which is a full member of the Organization for Economic Cooperation and Development (OECD), (v) certain non-profit administrative organisations which are subordinate to the central governments, regional governments or local authorities of the member states covered by point (ii) above, and/or (vi) certain banks.

In addition to such loans, certain claims arising from interest and currency swaps, as well as certain other derivatives transactions entered into on the basis of standardized master agreements may also be used as cover for Public Sector Pfandbriefe, provided that the claims of the Mortgage Bank will not be adversely affected by an insolvency of the Mortgage Bank or the pool of cover assets.

The domestic market for public sector lending is highly competitive. Margins are very thin, reflecting the high credit quality of German public sector borrowers and the large number of banks competing for this segment of the market. In the public sector lending business within Germany, the Issuer competes mainly with German Mortgage Banks, savings banks and the Landesbanken, and, to a lesser extent, with private universal banks.

## **XI. SUBSCRIPTION AND SALE**

On 30 August 2005, ABN AMRO Bank N.V., Barclays Bank PLC, Bayerische Hypo- und Vereinsbank AG, Commerzbank Aktiengesellschaft, Deutsche Bank Aktiengesellschaft, Dresdner Bank Aktiengesellschaft, HSBC Bank plc, Hypo Real Estate Bank AG, IXIS Corporate & Investment Bank, Zweigniederlassung Deutschland and Morgan Stanley & Co. International Limited, (the “Dealers”), on the one hand, and the Issuer, on the other hand, entered into an Amended and Restated Dealer Agreement (such Agreement as amended, supplemented or restated from time to time, the “Dealer Agreement”) and have agreed therein a basis upon which the Dealers or any of them may from time to time agree to purchase Notes. The Dealer Agreement entered into in connection with the Debt Issuance Program Prospectus dated 15 May 2006 and is applicable also to Notes issued under this Program. The Issuer may pay the relevant Dealer(s) commissions from time to time in connection with the sale of any Notes and will reimburse the relevant Dealer(s) for certain expenses in connection with the issue of Notes under the Program, all as agreed between the Issuer and the relevant Dealer(s) with respect to such issue and sale of Notes. In the Dealer Agreement, the Issuer has agreed to reimburse the Dealers for certain of their expenses in connection with the establishment and update of the Program.

An issuance of Notes by the Issuer is subject to the following selling restrictions. Depending on the Specified Currency of the Notes, other or additional selling restrictions may be applicable, as will be set forth in the applicable Final Terms and/or, in the case of Notes issued on a syndicated basis, the applicable subscription agreement (substantially in the form set forth in an Annex to the Dealer Agreement) (the “Subscription Agreement”) relating to such Notes.

### **1. United States of America**

The Notes have not been and will not be registered under the United States Securities Act of 1933, as amended, (the “Securities Act”) and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in accordance with Regulation S under the Securities Act (“Regulation S”) or pursuant to an exemption from the registration requirements of the Securities Act.

Each Dealer has represented and agreed that it has not offered and sold any Notes, and will not offer and sell any Notes as part of their distribution at any time within the United States or to, or for the account or benefit of, a U.S. person, except in accordance with Rule 903 or Rule 904 of Regulation S. Accordingly, each Dealer has further represented and agreed that neither it, its affiliates nor any persons acting on its or their behalf have engaged or will engage in any directed selling efforts with respect to any Note, and it and they have complied and will comply with the offering restrictions requirements of Regulation S.

Each Dealer offering and reselling the Notes of a Tranche shall notify the Issuer and the Issuing Agent promptly upon the completion of the distribution thereof (which notice shall include a certification as to the date of such completion). On the basis of such notification, the Issuing Agent agrees to notify such Dealer of the end of the distribution compliance period with respect to such Tranche. Each Dealer has represented and agreed that, at or prior to confirmation of sale of Notes, it will have sent to each distributor, dealer or person receiving a selling concession, fee or other remuneration that purchases Notes from it or through it during the distribution compliance period a confirmation or notice to substantially the following effect:

“The Notes covered hereby have not been registered under the United States Securities Act of 1933, as amended, (the “Securities Act”) and may not be offered and sold within the United States or to, or for the account or benefit of, U.S. persons (i) as part of their distribution at any time or (ii) otherwise until 40 days after the completion of the distribution of the Series of Notes of which such Notes are a part (as determined by the Issuing Agent for such Notes) except in accordance with Regulation S under the Securities Act. Terms used above have the meaning given to them by Regulation S.”

In addition, until 40 days after the completion of the distribution of any Series of Notes, an offer or sale of Notes of such Series within the United States by a dealer that is not participating in the offering may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than under an

applicable exemption from registration under the Securities Act.

Terms used in this paragraph have the meanings given to them by Regulation S.

Each Dealer has further agreed that it has not entered and will not enter into any contractual arrangement with respect to the distribution or delivery of the Notes, except with its affiliates or with the prior written consent of the Issuer.

Notes, other than Notes with an initial maturity of one year or less, will be issued in accordance with the provisions of United States Treasury Regulation § 1.163-5(c)(2)(i)(D) (the “D Rules”), or in accordance with the provisions of United States Treasury Regulation § 1.163-5(c)(2)(i)(c) (the “C Rules”), as specified in the applicable Final Terms.

In addition, in respect of Notes issued in accordance with the D Rules, each Dealer has represented and agreed that:

- (1) except to the extent permitted under the D Rules (i) it has not offered or sold, and during the restricted period will not offer or sell, Notes in bearer form to a person who is within the United States or its possessions or to a United States person, and (ii) it has not delivered and will not deliver within the United States or its possessions definitive Notes in bearer form that are sold during the restricted period;
- (2) it has and throughout the restricted period will have in effect procedures reasonably designed to ensure that its employees or agents who are directly engaged in selling Notes in bearer form are aware that such Notes may not be offered or sold during the restricted period to a person who is within the United States or its possessions or to a United States person, except as permitted by the D Rules;
- (3) each Dealer who is a United States person has represented and agreed that it is acquiring Notes in bearer form for purposes of resale in connection with their original issuance and if it retains Notes in bearer form for its own account, it will only do so in accordance with the requirements of U.S. Treas. Reg. § 1.163-5(c)(2)(i)(D)(6); and
- (4) with respect to each affiliate of a Dealer that acquires from such Dealer Notes in bearer form for the purposes of offering or selling such Notes during the restricted period, such Dealer has agreed that it will obtain from or represent and agree on behalf of such affiliate for the Issuer’s benefit, the representations and agreements contained in clauses (1), (2) and (3).

Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code and regulations thereunder, including the D Rules.

In addition, in respect of Notes issued in accordance with the C Rules, Notes in bearer form must be issued and delivered outside the United States and its possessions in connection with their original issuance. Accordingly, each Dealer has represented and agreed that it has not offered, sold or delivered, and will not offer, sell or deliver, directly or indirectly, Notes in bearer form within the United States or its possessions in connection with their original issuance. Further, each Dealer has represented and agreed that, in connection with the original issuance of Notes in bearer form, it has not communicated, and will not communicate, directly or indirectly, with a prospective purchaser if either such Dealer or such prospective purchaser is within the United States or its possessions or otherwise involve such Dealer’s U.S. office in the offer and sale of Notes in bearer form. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code and regulations thereunder, including the C Rules.

Each issue of Notes linked to an index, a commodity or a currency will be subject to such additional U.S. selling restrictions as the Issuer and the relevant Dealer or Dealers may agree, as indicated in the applicable Final Terms. Each Dealer has agreed that it will offer, sell or deliver such Notes in compliance with such additional U.S. selling restrictions.

## **2. European Economic Area**

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each a “Relevant Member State”), each Dealer has represented and agreed, and each further

Dealer appointed under the Program will be required to represent and agree, that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the “Relevant Implementation Date”) it has not made and will not make an offer of Notes to the public in that Relevant Member State, except that it may, with effect from and including the Relevant Implementation Date, make an offer of Notes to the public in that Relevant Member State:

- (1) in the period beginning on the date of publication of a Debt Issuance Program Prospectus in relation to those Notes which has been approved by the competent authority in that Relevant Member State in accordance with the Prospectus Directive or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, all in accordance with the Prospectus Directive and ending on the date which is 12 months after the date of such publication;
- (2) at any time to legal entities which are authorised or regulated to operate in the financial markets or, if not so authorised or regulated, whose corporate purpose is solely to invest in securities;
- (3) at any time to any legal entity which has two or more of (i) an average of at least 250 employees during the last financial year; (ii) a total balance sheet of more than Euro 43,000,000 and (iii) an annual turnover of more than Euro 50,000,000, as shown in its last annual or consolidated accounts; or
- (4) at any time in any other circumstances which do not require the publication by the Issuer of a Debt Issuance Program Prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of this provision, the expression an “offer of Notes to the public” in relation to any Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State and the expression Prospectus Directive means Directive 2003/71/EC and includes any relevant implementing measure in each Relevant Member State.

### **3. Japan**

The Notes have not been and will not be registered under the Securities and Exchange Law of Japan (the “Securities and Exchange Law”) and each Dealer has represented and agreed and each further Dealer appointed under the Program will be required to represent and agree that it has not and will not offer or sell any Notes, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organized under the laws of Japan) or to others for re-offering or resale, directly or indirectly, in Japan or to any resident of Japan except in compliance with the Securities and Exchange Law and any other applicable laws and regulations of Japan. Pursuant to the Foreign Exchange and Foreign Trade Law of Japan, the Issuer is required to file a report in connection with the issuance or offering of Notes in Japan or the issuance or offering outside Japan of Notes denominated or payable in Yen with the Ministry of Finance of Japan (the “MOF”) within a limited period of time after the issue of the Notes. Each Dealer is required to provide any necessary information on sales of Notes in Japan to the Issuer (which shall not include the names of the purchasers thereof) so that the Issuer may make such reports to the MOF.

### **4. General**

No action has been taken in any jurisdiction that would permit a public offering of any of the Notes, or possession or distribution of the Debt Issuance Program Prospectus or any other offering material or any Final Terms, in any country or jurisdiction where action for that purpose is required. Each Dealer has represented and agreed that it will comply with all relevant laws and directives in each jurisdiction in which it purchases, offers, sells, or delivers Notes or has in its possession or distributes the Debt Issuance Program Prospectus or any other offering material and will obtain any consent, approval or permission required by it for the purchase, offer or sale by it of the Notes under the laws and directives in force in any jurisdiction to

which it is subject or in which it makes such purchases, offers or sales, in all cases at its own expense, and neither the Issuers nor any other Dealer shall have responsibility for this.

These selling restrictions may be modified by the agreement of the Issuer and the Dealers, inter alia, following a change in a relevant law, regulation or directive. Any such modification will be set out in the Final Terms issued in respect of the issue of Notes to which it relates or in a Supplement to this Debt Issuance Program Prospectus.



## **XII. TAXATION**

**Prospective purchasers of Notes are advised to consult their own tax advisors as to the tax consequences of the purchase, ownership and disposition of Notes, including the effect of any state or local taxes, under the tax laws of Germany and each country of which they are residents.**

The following is a summary of the **withholding tax treatment** in the EU and Germany at the date hereof in relation to the payments on the Notes which may be issued under this Programme. It is not exhaustive, and, in particular, does not deal with the position of holders of Notes other than in relation to withholding tax in the jurisdictions referred to above, nor with the withholding tax treatment of payments on all forms of Notes which may be issued under the Programme.

### **EU Savings Tax Directive**

On 3 June 2003 the Council of the European Union approved a directive regarding the taxation of interest income. Accordingly, each EU Member State must require paying agents (within the meaning of the directive) established within its territory to provide to the competent authority of this state details of the payment of interest made to any individual resident in another EU Member State as the beneficial owner of the interest. The competent authority of the EU Member State of the paying agent (within the meaning of the directive) is then required to communicate this information to the competent authority of the EU Member State of which the beneficial owner of the interest is a resident.

For a transitional period, Andorra, Austria, Belgium, Liechtenstein, Luxembourg, Monaco, San Marino and Switzerland have opted instead to withhold tax from interest payments within the meaning of the directive at a rate of 15% for the first three years from application of the provisions of the directive, of 20% for the subsequent three years, and of 35% from the seventh year after application of the provisions of the directive.

The Council of the European Union agreed that the provisions to be enacted for implementation of the directive shall be applied by the member states as from 1 July 2005. This presupposes that all the relevant dependent or associated territories (the Channel Islands, the Isle of Man and the dependent or associated territories in the Caribbean) apply from that same date an automatic exchange of information or, during the transitional period described above, apply a withholding tax in the described manner.

The entry into force of the legislative regulations depends, however, on a determination by the Council of the European Union to the effect that the conditions for the application of the directive have been fulfilled.

### **Germany**

The following is a general discussion of certain German tax consequences of the acquisition and ownership of the Notes. It does not purport to be a comprehensive description of all tax considerations which may be relevant to a decision to purchase Notes, and, in particular, does not consider any specific facts or circumstances that may apply to a particular purchaser. This summary is based on the laws of Germany currently in force and as applied on the date of this Base Prospectus, which are subject to change, possibly with retroactive or retrospective effect.

Prospective purchasers of Notes are advised to consult their own tax advisors as to the tax consequences of the purchase, ownership and disposition of Notes, including the effect of any state or local taxes, under the tax laws of Germany and each country of which they are residents.

### **Tax Residents**

If Notes are held in a custodial account which the holder of a Note maintains with a German branch of a German or non-German bank or financial services institution (the “Disbursing Agent”) a 30 per cent. withholding tax on interest payments (Zinsabschlag), plus 5.5 per cent. solidarity surcharge on such tax, will be levied by the Disbursing Agent, resulting in a total tax charge of 31.65 per cent. of the gross interest payment. Withholding tax on interest is also imposed on interest accrued up to the disposition of a Note and credited separately, if any (“Accrued Interest”).

Upon the disposition, assignment or redemption of a Note a holder holding the Note as a non-business asset will have to include in his taxable income further amounts if the Note can be classified as a financial innovation (Finanzinnovation) under German tax law (including, among other things, zero coupon Notes, discounted Notes, provided the discount exceeds certain thresholds, and discounted Assignable Loans, floating rate Notes, Notes traded without Accrued Interest being credited separately, or stripped bonds, i.e. bonds traded without coupons).

If Notes qualify as financial innovations and are kept in a custodial account which the holder of a Note maintains with a Disbursing Agent, such custodian will generally withhold tax at a rate of 30 per cent. (plus solidarity surcharge at a rate of 5.5 per cent. thereon) from the positive difference between the redemption amount or proceeds from the disposition or assignment and the issue or purchase price of the Notes if the Notes have been kept in a custodial account with such Disbursing Agent since the time of issuance or acquisition, respectively. Where Notes are issued in a currency other than euro the difference will be computed in the foreign currency and will then be converted into euro. If the Notes have not been kept from the time of their acquisition in a custodial account with the same Disbursing Agent, e.g. because of a book entry transfer, withholding tax of 30 per cent. is applied to 30 per cent. of the amounts paid in partial or final redemption or the proceeds from the disposition or assignment of the Notes, respectively.

In computing the tax to be withheld the Disbursing Agent may deduct from the basis of the withholding tax any Accrued Interest previously paid during the same calendar year by the holder of a Note to the Disbursing Agent. In general, no withholding tax will be levied if the holder of a Note is an individual (i) whose Note does not form part of the property of a German trade or business nor gives rise to income from the letting and leasing of property; and (ii) who filed a withholding exemption Note (Freistellungsauftrag) with the Disbursing Agent but only to the extent the interest income derived from the Note together with other investment income does not exceed the maximum exemption amount shown on the withholding exemption Note. Similarly, no withholding tax will be deducted if the holder of the Note has submitted to the Disbursing Agent a Note of non assessment (Nichtveranlagungsbescheinigung) issued by the relevant local tax office.

If Notes are not kept in a custodial account with a Disbursing Agent, withholding tax will apply at a rate of 35 per cent. of the gross amount of interest paid by a Disbursing Agent upon presentation of a coupon (whether or not presented with the Note to which it appertains) to a holder of such coupon other than a non-German bank or financial services institution (Tafelgeschäft). In this case proceeds from the disposition, assignment or redemption of a coupon, and if the Notes qualify as financial innovations 30 per cent. of the proceeds from the disposition, assignment or redemption of a Note, will also be subject to withholding tax at a rate of 35 per cent.. Where the 35 per cent. withholding tax applies Accrued Interest paid cannot be taken into account in determining the withholding tax base. Again a solidarity surcharge at a rate of 5.5 per cent. of the withholding tax applies so that the total tax burden to be withheld is 36.925 per cent.. Withholding tax and the solidarity surcharge thereon are credited as prepayments against the German personal or corporate income tax and the solidarity surcharge liability of the German resident. Amounts overwithheld will entitle the holder of a Note to a refund, based on an assessment to tax.

If with reference to the Notes the repayment of the invested capital as well as an interest income is contingent, no withholding tax will be due.

### **Non-residents**

Non-residents of Germany are, in general, exempt from German withholding tax on interest and the solidarity surcharge thereon. However, where the interest is subject to German taxation as set forth in the preceding paragraph and Notes are held in a custodial account with a Disbursing Agent withholding tax is levied as explained above under "Tax Residents". Where Notes are not kept in a custodial account with a Disbursing Agent and interest or proceeds from the disposition or redemption of a coupon or, if the Notes qualify as financial innovations, of a Note are paid by a Disbursing Agent to a non-resident, withholding tax of 35 per cent. plus solidarity surcharge of 5.5 per cent. thereon will apply as explained above under "Tax Residents". The withholding tax may be refunded based upon an applicable tax treaty.

### **Responsibility for withholding tax payment**

Obligor of the withholding tax (plus solidarity surcharge) is the holder of the Note. In the case of Notes other than Notes in registered form the Disbursing Agent is liable for the correct withholding and tax payment. If the Disbursing Agent is no German branch of a German or non-German bank or financial institution, the Issuer will assume responsibility for the taxes at source. The responsibility is limited to grossly negligence.

### **EU Savings Tax Directive on the taxation of Savings Income**

Germany has implemented the directive into national legislation by means of an Interest Information Regulation (Zinsinformationsverordnung, ZIV), which passed the Upper House on 19 December 2003 and was officially published on 12 February 2004. The German Regulation follows the wording of the Directive very closely.

Because the German Government interpreted the term “interest” broadly interest income also includes income from financial instruments, which qualify as interest income under German tax law. Additionally the total amount of the proceeds from sale and redemption of the instruments will be reported. Starting on 1 July 2005 Germany will therefore communicate all payments of interest on the Notes, including Notes which qualify as financial instruments, to the

beneficial owners Member State of residence if the instruments have been kept in a custodial account with a Disbursing Agent. The same applies to the total amount of the proceeds from disposition, assignment and redemption.

### **Luxembourg**

#### **Luxembourg non-residents**

Under Luxembourg tax law currently in effect and subject to the application of the Luxembourg laws dated June 21, 2005 (the “Laws”) implementing the European Council Directive 2003/48/EC on the taxation of savings income (the “Savings Directive”) and several agreements concluded between Luxembourg and certain dependent territories of the European Union, there is no withholding tax on payments of interest (including accrued but unpaid interest) made to Luxembourg non-resident holders of the Notes. There is also no Luxembourg withholding tax, subject to the application of the Laws, upon repayment of principal or upon redemption, repurchase or exchange of Notes.

Under the Savings Directive, a Luxembourg based paying agent (within the meaning of the Savings Directive) is required since July 1, 2005 to withhold tax on interest and other similar income paid by it to (or under certain circumstances, to the benefit of) an individual resident in another Member State, unless the beneficiary of the interest payments elects for an exchange of information. The same regime applies to payments to individuals resident in certain dependent territories.

The withholding tax rate is initially 15 per cent., increasing steadily to 20 per cent. and to 35 per cent. The withholding tax system will only apply during a transitional period, the ending of which depends on the conclusion of certain agreements relating to information exchange with certain third countries.

#### **Luxembourg residents**

A 10 per cent. withholding tax has been introduced, as from January 1, 2006 on interest payments made by Luxembourg paying agents (defined in the same way as in the Directive) to Luxembourg individual residents. Only interest accrued after July 1, 2005 falls within the scope of this withholding tax. This withholding tax represents the final tax liability for the Luxembourg individual resident taxpayers.

## **EU Directive on the Taxation of Savings Income**

On 3 June 2003, the EU adopted the Council Directive 2003/48/EC (the “Directive”) on taxation of savings income in the form of interest payments under which, subject to a number of important conditions, Member States are required to provide to the tax authorities of another Member State details of payments of interest (or similar income) paid by a person within its jurisdiction to an individual resident in that other Member State. For a transitional period Belgium, Luxembourg and Austria will instead be required to operate a withholding system in relation to such payments (the ending of the transitional period being related to the conclusion of certain other agreements relating to information exchange with certain other countries). Please see ”Taxation in the Grand-Duchy of Luxembourg” for details about the Luxembourg withholding tax system.

Five European third countries (Switzerland, Liechtenstein, San Marino, Monaco and Andorra) as well as ten Member States’ dependant or associated territories (Guernsey, Jersey, Isle of Man, Anguilla, British Virgin Islands, Cayman Islands, Montserrat, Turks and Caicos Islands, Aruba and Netherland Antilles) will apply measures equivalent to those contained in the Directive, in accordance with agreements entered into by them with the European Community. Consequently, Member States will apply an automatic exchange of information or, during the transitional period, deduct withholding tax in relation to persons resident in the European third countries or the territories in the described manner.

The provisions of the Directive and the agreements with the European third countries and territories are applicable since 1 July 2005.

### **XIII. AVAILABILITY OF DOCUMENTS**

Copies of the Issuer's articles of association, the annual reports of the Issuer for the fiscal years ended 31 December 2004 and 31 December 2005, and for any fiscal year, the most recently published annual report of the Issuer, the Dealer Agreement, all Subscription Agreements, the forms of the Global Notes and the Definitive Notes, the Final Terms and the Agency Agreement will be available during usual business hours on any weekday (except Saturdays and public holidays) at the offices of Fortis Banque Luxembourg S.A., in its capacity as listing agent for the Notes. All documents incorporated by reference herein will be available for collection in the English language, free of charge, at the specified offices of the Paying Agents.

#### **XIV. INCORPORATION BY REFERENCE**

The following documents (the “Documents”) shall be deemed to be incorporated in, and to form part of, this Debt Issuance Program Prospectus:

**Document**

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**Page Reference**

Hypo Real Estate Bank AG Annual Report 2004 containing the financial statements of the Issuer at 31 December 2004 (page references refer to the English version with the exception of the audit report)

Balance Sheet	16 through 19
Profit and Loss Account	20 through 21
Accounting policies and explanatory notes	22 through 32
Auditor’s Report	37 <sup>*)</sup>
Risk Report	09 through 15

<sup>\*)</sup> Referring to the German version of the Annual Report

Hypo Real Estate Bank AG Annual Report 2005 containing the financial statement of the Issuer at 31 December 2005 (page references refer to the English version with the exception of the audit report)

Balance Sheets	18 through 21
Profit and Loss Account	22 through 23
Accounting policies and explanatory notes	24 through 38
Auditor’s Report	43 <sup>*)</sup>

<sup>\*)</sup> Referring to the German version of the Annual Report

Copies of any or all of the Documents which are incorporated herein by reference will be available free of charge from the specified offices of the Paying Agents set out at the end of this Debt Issuance Program Prospectus and are available on the website of the Issuer ([www.hyporealestatebank.de](http://www.hyporealestatebank.de)) and on the website of Luxembourg Stock Exchange.

All information included in the Documents incorporated by reference but not mentioned in the cross-reference list above is given for information purposes only.

## **ISSUER**

### **Hypo Real Estate Bank AG**

Von-der-Tann-Strasse 2  
80539 Munich

## **ARRANGER**

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## **DEALERS**

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### **Deutsche Bank Aktiengesellschaft**

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### **HSBC Bank plc**

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London E14 5HQ

### **IXIS Corporate and Investment Bank**

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### **Barclays Bank PLC**

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London E14 4BB

### **Commerzbank Aktiengesellschaft**

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Mainzer Landstrasse 153  
60327 Frankfurt/Main

### **Dresdner Bank Aktiengesellschaft**

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### **Hypo Real Estate Bank AG**

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London E14 4QA

## **AGENTS**

### **Issuing and Principal Paying Agents**

#### **Citibank, N.A.**

London Office  
5 Carmelite Street  
London EC4Y 0PA

### **Registrar**

#### **Citibank, N.A.**

London Office  
5 Carmelite Street  
London EC4Y 0PA  
(For Registered Notes)

**Luxembourg Listing Agent and Paying Agent**

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*To the Dealers*

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**AUDITORS**

*To the Issuer*

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80339 Munich